



Community of Practice of  
Direct Access Entities

Work Programme: Climate Project Development

SIX PAPERS FOCUSING ON CPDAE MEMBERS' LESSONS  
LEARNED AND EXPERIENCE SHARING ON VARIOUS TOPICS

**PAPER #2:**  
**ENVIRONMENTAL AND SOCIAL SAFE-  
GUARDS OF THE GREEN CLIMATE  
FUND AND ADAPTATION FUND**

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## Management Guidance and Technical Oversight

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### Disclaimer

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# 1. Introduction

The Community of Practice for Direct Access Entities (CPDAE) is a network composed of National Implementing Entities (NIEs) to the Adaptation Fund (AF) and Direct Access Entities (DAEs) to the Green Climate Fund (GCF). Membership is open to interested AF NIEs and GCF DAEs and the CPDAE is driven by its members, led by an elected Committee that coordinates its work.

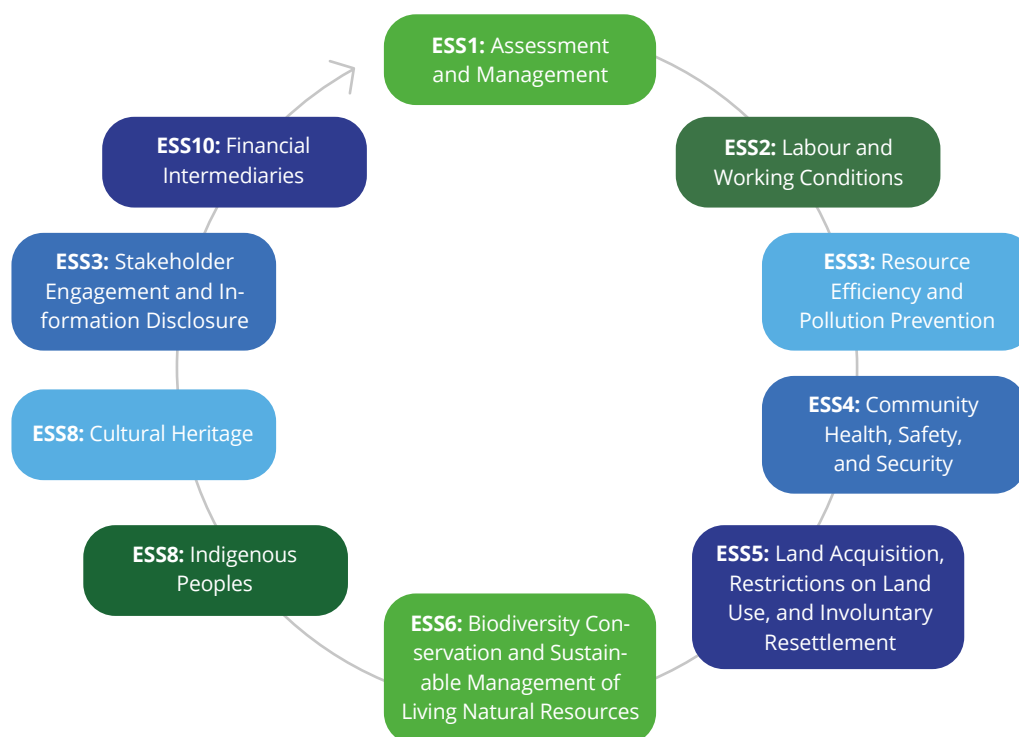
The Work Programme “Climate Project Development” under a CPDAE Readiness Project implemented by GIZ under GCF contract aims to build capacities and share knowledge among the CPDAE members to advance their project pipelines and increase the number of quality funding proposals. One of the deliverables of this work programme is six papers focusing on CPDAE members’ lessons learned and experience sharing on various topics. This paper focuses on environmental and social safeguards (ESS) and grievance/redress mechanisms mandated by the GCF and AF as an integral part of project preparation and implementation.

## 2. Green Climate Fund and Adaptation Fund Guidance on ESS

### 2.1. Green Climate Fund Guidance

GCF guidance on ESS is subject to constant change, so it is important to ensure that the latest guidance is followed. In 2014, the International Finance Corporation’s Performance Standards for Environmental and Social Sustainability were adopted by GCF as its interim standards. In 2019, the GCF Board opted for maintaining the interim ESS standards with some revisions and enhancements, which were planned for completion in late 2022. For those interested in the evolution of the ESS guidance, Annex 1 will provide useful information. Pending any late changes to the new draft ESS standards, however, section A1.7 should provide the necessary guidance.

Figure 1: **Proposed GCF ESS Standards**



GCF's revised Environmental and Social Safeguards Policy in 2021 set out a series of guiding principles covering (i) integration and environmental and social sustainability; (ii) transboundary risk and impact approach; (iii) scaled risk-based approach; (iv) fit-for-purpose approach; (v) equality and non-discrimination; (vi) mitigation hierarchy; (vii) coherence and links with relevant policies and practices; (viii) continuous improvement and best practices; (ix) stakeholder engagement and disclosure; (x) gender-sensitive approach; (xi) zero tolerance of sexual exploitation, abuse, and harassment; (xii) knowledge sharing; (xiii) harmonised application of environmental and social requirements; (xiv) compliance with applicable laws; (xv) consistency with UNFCCC REDD+ safeguards; (xvi) labour and working conditions; (xvii) indigenous peoples; (xviii) human rights; and (xix) biodiversity

## 2.2. Adaptation Fund Guidance

The AF's Environment and Social Policy was approved in 2013<sup>1</sup> and updated in 2016<sup>2</sup>. The Policy notes that Implementing Entities are responsible for risk management of projects/programmes and that risks explicitly include environmental and social risks. Accordingly, accreditation/re-accreditation of NIEs needs to reflect their capacity and commitment to address environmental and social risks.

Similar to other international organisations, the policy requires that all projects/programmes be screened for their environmental and social impacts, and the proposed project/programme is then categorized according to its potential environmental and social impacts. Category A - projects/ programmes likely to have significant adverse environmental or social impacts. Category B - projects/programmes with potential adverse impacts that are less adverse than Category A projects. Projects/programmes with no adverse environmental or social impacts should be categorized as Category C. The scope of the environmental and social assessment must be commensurate with the scope and severity of potential risks. If an environmental and social assessment is required, the assessment should assess all potential environmental and social risks and include a proposed risk management plan. Annual project/programme performance reports and the mid-term and terminal evaluation reports can be modified to track any required environmental and social risk management plan or changes in project/programme design.

Figure 2: **Coverage of the AF's environmental and social principles**



<sup>1</sup> <https://www.adaptation-fund.org/wp-content/uploads/2015/09/Environmental-Social-Policy-approved-Nov2013.pdf>

<sup>2</sup> <https://www.adaptation-fund.org/document/environmental-and-social-policy-approved-in-november-2013/>

The Policy also outlines (i) the need for implementing entities to have an environmental and social management system that aligns with the AF Policy; and (ii) the environmental and social policy delivery process (screening, environmental and social assessment, environmental and social management plan, monitoring, reporting, and evaluation, public disclosure and consultation, and a grievance mechanism).

The AF also provides a 21-page “guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Development Policy” . It provides guidance to NIEs on achieving and demonstrating compliance with the ESP in the project and programme cycle whenever project implementation has the potential to trigger environmental and/or social risks. In addition to further details on the 15 principles, the guidance document illustrates how to ensure compliance with the Policy in the project/programme proposal document.

More recent guidance (i.e., 2022) has been provided on NIE compliance with the AF Gender Policy and Action Plan updated in 2021 . The Gender Policy and Action Plan aim “to ensure that projects and programmes supported by the Fund provide women and men regardless of their background, age, race, ethnicity, religion, class, language, ability or gender equality with an equal opportunity to strengthen their agency, build their resilience, address their differentiated vulnerabilities and increase their capability to adapt to climate change impacts and interlinked challenges”. Projects that don’t have “articulated gender considerations” will not be funded by the AF.

At the project/programme identification stage, a preliminary gender analysis is required for the pre-concept/concept note. For the fully developed project/programme stage, the Gender Policy requires NIEs to consider and meaningfully integrate the experiences and capabilities of women and girls, men and boys and their diverse communities, as appropriate and relevant, their traditional, local, or indigenous knowledge through a gender-responsive, inclusive, participatory, and fully transparent stakeholder engagement approach.

### 3. Experience of CPDAE members

#### 3.1. Positive experiences and common barriers

In the interviews conducted with around 20 CPDAE members from January to March 2023, a specific question was “what is your organization’s experience with environmental and social safeguards assessment?” Sub-questions were (i) which positive experiences and success can you point out; (ii) what are the main problems and obstacles of your institution in this area; and (iii) what should be covered in this Paper?

#### Typical responses were as follows:

- Environmental, social, and gender studies are required as part of internal policies, and fully integrated into the project cycle, so there is no issue in the GCF and AF requiring such inputs;
- All contractors are required to have risk management plans and follow the ESS requirements of the GCF and AF;
- External expertise is contracted to prepare the ESS documentation, so these experts must be fully informed of GCF and AF requirements;
- ESS policy requirements of the GCF and AF change quite frequently, so an added value of this paper is to ensure that the latest guidance is provided, along with good practices and potential pitfalls;

3 [https://www.adaptation-fund.org/wp-content/uploads/2016/07/ESP-Guidance\\_Revised-in-June-2016\\_Guidance-document-for-Implementing-Entities-on-compliance-with-the-Adaptation-Fund-Environmental-and-Social-Policy.pdf](https://www.adaptation-fund.org/wp-content/uploads/2016/07/ESP-Guidance_Revised-in-June-2016_Guidance-document-for-Implementing-Entities-on-compliance-with-the-Adaptation-Fund-Environmental-and-Social-Policy.pdf)

4 [https://www.adaptation-fund.org/wp-content/uploads/2022/08/Doc.AFB38\\_39\\_Inf.1\\_updated-gender-guidance-doc\\_1.pdf](https://www.adaptation-fund.org/wp-content/uploads/2022/08/Doc.AFB38_39_Inf.1_updated-gender-guidance-doc_1.pdf)

- Accreditation requirements on ESS have often led to institutional changes within the CPDAE members;
- It is difficult at the project level to have a grievance redress mechanism that is aligned with GCF and AF requirements, especially in areas where people are not able to access the internet or have language difficulties;
- Social safeguards, gender mainstreaming, and disability action plans are still difficult issues, especially in indigenous areas;
- Additional capacity building, especially on managing the ESS requirements during implementation and making sure that executing entities follow the ESMSP, is needed; and
- In general, the dimensions of safeguards are increasingly taken seriously in the development of all climate-related projects.

In Table 1, it can be seen there are probably more challenges than positive experiences recorded by the CPDAE members. One positive factor for most DAEs is that environmental and social safeguards are already part of their institutional standard operating procedures, so adjusting them to fit the GCF/AF requirements is not a major stretch. The biggest challenges relate to social issues and gender, equality, disability, and social inclusion and this is also an area that has recently been strengthened in the new draft GCF ESS standards (as shown in Annex 1).

Table 1: **Classification of Responses on ESS from CPDAE members**

ESS Component	Positive Experiences	Challenges	Other Comments and Suggested Inclusion in the Guide Paper
<b>Categorization</b>	An Environmental, Social and Gender study to categorize projects is part of internal policies.	Lack of concrete guidance on what applies as Category C.	
<b>Environmental and Social Safeguards (ESS) Assessment</b>	<p>Internal aspects are mastered thanks to the environmental and social management system (ESMS).</p> <p>GCF accepts and trusts your own safeguards system.</p> <p>The accreditation process was positive because it helped to strengthen the DAE's safeguard policies.</p> <p>Strong environmental and social management systems are in place and the system is fully integrated into our project cycle.</p> <p>We routinely prepare environmental management plans for all ESS risks in our AF projects.</p>	<p>GCF requires ESS information at a level of detail, for which the only way to respond is by executing the project.</p> <p>The problem is the operationalization of the ESMS with banks because banks are inclined to go to financing quickly.</p> <p>We don't have an ESS policy yet, but we are in the process of developing one.</p>	<p>Concerned about the new GCF safeguards policy, and the challenges this may bring with, new requirements that may be difficult to meet. This is where there may be added value of the Guide document.</p> <p>This is an area where additional capacity building is needed, especially on handling the ESS requirements at the project level.</p> <p>Key is to do a proper analysis of environmental and social risks during project development. It would be good if good practice in this area is included in your paper.</p>

<b>Gender</b>		<p>Social safeguards and gender are still challenges, in particular gender issues in indigenous and rural areas.</p> <p>Gender and disability action plans are often the most difficult aspect of ESS.</p>	<p>Not necessarily for the paper, but perhaps a peer-to-peer workshop on gender mainstreaming. How to implement gender mainstreaming adapted to the project context.</p>
<b>Indigenous people</b>	<p>The issue of indigenous communities, Afro-descendant and local communities should be given special emphasis.</p>	<p>We don't have indigenous people in our country, so I don't know how challenging it will be to pass accreditation criteria in this area.</p>	
<b>Grievance and Redress</b>	<p>DAE has had opportunities to participate in courses on complaints, claims, and mediation.</p>	<p>How can people without access to Internet or cell phones place comments or complaints, or how can people who don't have English place complaints?</p>	<p>What we'd like to have covered in the paper is to learn about grievance and redress mechanisms, for example how this is applied best in practice.</p>
<b>Executing entities (EEs)</b>	<p>Big opportunity to illustrate to EEs the importance of environmental risk management.</p>	<p>It is difficult to ensure safeguards are being met when there are many EEs.</p> <p>Monitoring of EE compliance with ESS policies is difficult.</p> <p>How can DAEs ensure that EEs perform the same standards during implementation.</p> <p>Building EE capacities in ESS can be cumbersome and expensive for DAEs.</p>	
<b>Contractors and consultants</b>	<p>All contractors are required to have risk management plans and this experience can be shared with other CPDAE members.</p> <p>No major problems as these areas are generally handled by consultants.</p>		
<b>Project beneficiaries</b>		<p>How can we ensure that vulnerable people's concerns and risks are accommodated?</p> <p>Low-income beneficiaries are not able to sustain the interventions once project funding is stopped.</p> <p>Managing expectations of beneficiaries in ESS can be challenging.</p>	

<p><b>Implementation of ESS</b></p>		<p>We already have a SOP for risk identification for ESS risks and this is field applied and practiced at CNs stage. What we need is a SOP for the project implementation phase, including risk management plans and monitoring throughout project implementation.</p>	<p>The document should be based on both AF and GCF policies but be simple to apply – nevertheless contain the main elements.</p> <p>So far, so there is no experience with ESS risks during the implementation phase. We would like to see in the paper what are the generic pitfalls and obstacles and how these can be best overcome.</p>
<p><b>Monitoring and evaluation</b></p>	<p>One DAE has created the Committee of Experts for Environmental, Social and Gender Monitoring (CESESAG). CESESAG conducts the preliminary screening as well as monitoring environmental, social and gender issues.</p>	<p>Properly defining indicators related to ESS and gender can be challenging, including related reporting during implementation. There are opportunities for peer to peer learning among CPDAE members in this area.</p>	

### 3.2. Good practice tips

Based on the challenges noted in Table 1 and the CPDAE members’ suggested coverage in this Guide, the following good practice tips are offered by the consultants drawing from their extensive experience in implementing ESS at all stages of the project cycle.

Table 2: **Good practice tips**

<ul style="list-style-type: none"> <li>● Establish a standing committee or panel devoted to screening environmental and social issues of proposed projects / programs.</li> </ul>	<ul style="list-style-type: none"> <li>● Review current treatment of gender, equality, disability, and social inclusion.</li> </ul>
<ul style="list-style-type: none"> <li>● Review how GCF defines indigenous people and apply the same definition in projects / programs.</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthen the problem solving, grievance, and redress mechanism.</li> </ul>
<ul style="list-style-type: none"> <li>● Conduct a capacity assessment of the executing entity and other implementing entities.</li> </ul>	<ul style="list-style-type: none"> <li>● Integrate environmental and social measures into the project / program design.</li> </ul>
<ul style="list-style-type: none"> <li>● Integrate ESMP measures into the project / program budget.</li> </ul>	<ul style="list-style-type: none"> <li>● Apply adaptive management throughout the implementation period.</li> </ul>

DAEs and NIEs should have a standing committee or panel devoted to screening environmental and social issues of proposed projects/programmes. The advantage of continuity in the screening process is that the committee/panel may be able to refer to a similar project where the categorisation has been accepted by the GCF/AF. As noted in Table 1, there is often uncertainty regarding Category C, especially for DAEs that are limited to small sized projects and minimal environmental and social impacts. Accordingly, keeping track of the categorization of similar projects which have been accepted by the GCF/AF can help to ensure that the correct category is applied at the screening stage.

In addition, examples of “SAP-able” activities as included in all SAP Technical Guidelines<sup>5</sup> can be useful (GCF’s Simplified Approval Process – SAP – is restricted to Category C projects).

As shown in Annex 1, the new draft ESS standards of the GCF strengthen the treatment of how gender is applied in at least 6 of the 10 standards. GCF will ensure that DAEs (i) have gender equality competencies; (ii) undertake a mandatory initial gender assessment; (iii) develop project-level gender action plans complementary to the ESS requirements; (iv) conduct gender-equitable and inclusive stakeholder engagement and consultations; (v) select and apply gender indicators to measure progress, outcomes, and impacts; and (vi) report on gender-related risks and how these risks are minimised or mitigated. Accordingly, each CPDAE member is advised to review its current treatment of gender, equality, disability, and social inclusion in project preparation and implementation.

Similarly, DAEs are often uncertain on how to treat indigenous peoples, as governments often regard all citizens as indigenous. Therefore, it is worthwhile reviewing how GCF defines indigenous people and applying the same definition when developing GCF projects<sup>6</sup>.

As part of the accreditation process, GCF/AF want to ensure that there is an adequate problem solving, grievance, and redress mechanism that applies within the DAE as well as at the project level. Independent accountability or recourse mechanisms are now regarded as best practice for international financial institutions, international development organizations and other similar entities, including DAEs. Therefore, it is suggested that CPDAE members review the grievance and redress mechanisms of peer institutions and ensure that they can be regarded as having procedures that are at least equivalent with these agencies, if not even better.

Where the DAE or NIE is not the executing entity of the project/programme, it is good practice to conduct a capacity assessment of the executing entity in relation to their internal environmental and social management system and previous experience in complying with the environmental and social policies of the GCF and AF. As noted in Table 1, it is difficult for a DAE to monitor compliance with the ESS standards if there are multiple executing involved, so it is important to ensure that they have the necessary capacity to follow the GCF/AF standards throughout the implementation period.

The environmental and social impact assessment work should not be a standalone exercise relegated to an environmental/social expert and/or external consultants, but rather should be seen as an opportunity to fully integrate environmental and social measures into the project/programme design, thus improving the likelihood of successful project implementation while doing no harm. The mitigation provisions of the environmental and social management plan should be fully integrated into the design document, rather than treated as a standalone annexure.

Often the mitigation measures identified as part of the environmental and social impact assessment are not incorporated sufficiently into the project/programme budget. If there is inadequate budget and no responsible staff to implement the environmental and social management actions, then there is a high likelihood of project failure and/or damage to the intended beneficiary community or project environment. Like all plans, the environmental and social management plan drafted as part of the project proposal should be regarded as flexible and subject to adaptive management throughout the implementation period. Many of the environmental and social impacts may only become obvious once implementation has commenced, so any prior plan should not be so rigid that no changes can be made during the implementation period. The GCF/AF task manager should be consulted before making any changes, however, as they may need convincing of the need for change.

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<sup>5</sup> All Technical Guidelines are available in the resources library of the GCF SAP modality, see <https://www.greenclimate.fund/projects/sap/resources>

<sup>6</sup> The GCF Indigenous Peoples Policy recognises that indigenous peoples often have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation, and development.

Projects typically have a 5-7-year implementation period, but the environmental and social implications of the project may extend well beyond the project completion date. As part of the project exit strategy, the DAE/NIE should ensure that appropriate arrangements and capacities are in place to deal with any impacts beyond the project closure date. Often these impacts are due to inadequate arrangements and funding for repair and maintenance. In addition, many lessons learned from project implementation can only be judged several years after project closure, as unanticipated social and/or environmental impacts may have occurred well after project closure. DAEs and NIEs should consider routinely revisiting past projects to ensure that they have remained sustainable, and no unanticipated impacts have emerged.

## 4. Conclusion

All DAEs and NIEs must stay up to date with the latest guidance on environmental and social management issues associated with GCF and AF projects/programmes, as they are constantly being upgraded and improved.

The Community of Practice of DAEs/NIEs should continue to share their own experience in conducting environmental and social management throughout the project cycle. Also, to be forewarned of pending changes in the GCF or AF and any inconsistency in feedback from the funding agencies may be extremely valuable for other CPDAE members.

# ANNEX 1:

## GCF Guidance on Environmental and Social Safeguards

### **A1.1 Guidelines for the Environmental and Social Screening of Activities Proposed under the Simplified Approval Process** (GCF 2018)<sup>7</sup>

As the pilot Simplified Approval Process (SAP) only allows for Category C or low intermediation projects, screening by the Accredited Entity is necessary to (i) evaluate the environmental and social risks; (ii) establish the environmental and social risk category; (iii) identify opportunities to improve environmental and social outcomes; and (iv) determine the level of environmental and social due diligence to be undertaken. The GCF Secretariat reviews the screening results, confirms the risk category, and advises on the environmental and social safeguards instruments to be applied.

### **A1.2 Sustainability guidance note: screening and categorizing GCF-financed activities** (GCF 2019)<sup>8</sup>

This guidance note provides practical information for the Secretariat, accredited entities and executing entities, countries, and other stakeholders in categorizing the environmental and social risks of activities supported by GCF. Accredited entities will be required to ensure that activities are properly screened, assigned appropriate environmental and social risk categories, and that environmental and social risks and impacts are properly and sufficiently assessed.

### **A1.3 Independent evaluation of the GCF's Environmental and Social Safeguards and the Environmental and Social Management System** (GCF 2020)<sup>9</sup>

The GCF's Independent Evaluation Unit found that "GCF's current environmental and social management system and safeguards are not customized or relevant to the GCF's overall mandate. The GCF needs to urgently develop and adopt a new set of policies that reflect positive environmental, social and climate value in its actions and investments. Specifically, it needs to cover gaps in the current system related to climate value, human rights, gender equity and consent, among others. The GCF also needs to develop operational guidance to reflect these changed policies".

### **A1.4 Revised Environmental and Social Policy** (GCF 2021)<sup>10</sup>

The revised policy set out a series of guiding principles covering (i) integration and environmental and social sustainability; (ii) transboundary risk and impact approach; (iii) scaled risk-based approach; (iv) fit-for-purpose approach; (v) equality and non-discrimination; (vi) mitigation hierarchy; (vii) coherence and links with relevant policies and practices; (viii) continuous improvement and best practices; (ix) stakeholder engagement and disclosure; (x) gender-sensitive approach; (xi) zero tolerance of sexual exploitation, abuse, and harassment; (xii) knowledge sharing; (xiii) harmonised application of environmental and social requirements; (xiv) compliance with applicable laws; (xv) consistency with UNFCCC REDD+ safeguards; (xvi) labour and working conditions; (xvii) indigenous peoples; (xviii) human rights; and (xix) biodiversity.

### **A1.5 Sustainability guidance note: Designing and ensuring meaningful stakeholder engagement on GCF-financed projects** (GCF 2022)<sup>11</sup>

Requiring Accredited Entities to establish meaningful consultation and engagement processes is a strategic priority embedded in the environmental and social management system for GCF and the ESS, Revised Environmental and Social Policy, Updated Gender Policy, and Indigenous Peoples Policy of GCF. This guidance note offers practical steps

<sup>7</sup> <https://www.greenclimate.fund/sites/default/files/document/guidelines-guidelines-environmental-and-social-screening-activities-proposed-under-simplified.pdf> ↗

<sup>8</sup> <https://www.greenclimate.fund/sites/default/files/document/sustainability-guidance-note-screening-and-categorizing-gcf-financed-activities.pdf> ↗

<sup>9</sup> <https://ieu.greenclimate.fund/sites/default/files/document/ess-final-report-english.pdf> ↗

<sup>10</sup> <https://www.greenclimate.fund/sites/default/files/document/revised-environmental-and-social-policy.pdf> ↗

<sup>11</sup> <https://www.greenclimate.fund/sites/default/files/document/sustainability-guidance-stakeholder-engagement-may2022.pdf> ↗

for getting started, and for developing tools and approaches that can benefit all parties over the life of a project and beyond. It provides guidance on how to meet the requirements for stakeholder engagement and consultation outlined in GCF policies.

#### **A1.6 Outline of proposed new structure and content** (Mott MacDonald 2022)<sup>12</sup>

Mott MacDonald were contracted to conduct a three-stage preparation of the revised ESS. This document provided the draft for the proposed Stage 2 changes. Their proposed structure had ESS1-8 with the same overarching content as the original IFC standards but added (i) ESS9: Stakeholder Engagement and Information Disclosure; and (ii) ESS10: Climate Change Resilience and Adaptation.

#### **A1.7 Development of the GCF's Environmental and Social Safeguards, Stage 3 - Proposed ESS Standards, full draft** (GCF 2022)<sup>13</sup>

The draft ESS is structured as follows:

- **ESS1: Assessment and Management** – ESS1 includes the following annexes, which form part of ESS1, and set out certain requirements in more detail (i) Annex 1: Environmental and Social Assessment; (ii) Annex 2: Management of Contractors; (iii) Annex 3: Proposed wording on climate change (greenhouse gases and adaptation); and (iv) Annex 4: Likely emissions sources and sinks for each project type.

Note that ESS1 also applies to all associated facilities, which are facilities or sub-activities that are not funded as part of GCF-financed activities and are: (i) directly and significantly related to the GCF-financed activity; and (ii) would not have been constructed or expanded if the project did not exist and without which the project would not be viable.

Accredited entities are expected to undertake all necessary measures to ensure that activities are implemented in such a manner that ensures that (i) all measures to mitigate and manage environmental and social risks and impacts and to improve outcomes, as described in this ESS, are implemented, monitored and continuously improved; and (ii) the progress and performance are monitored and reported to GCF and its stakeholders throughout the implementation of the GCF-financed activities. Entities will carry out an environmental and social assessment of GCF-financed activities to assess the environmental and social risks, impacts, co-benefits and dependencies of the project throughout the project life cycle.

Earlier drafts had considered a stand-alone climate change safeguard, but in this draft climate change is included in ESS1<sup>14</sup>. Annex 3 provides an overview of the intended climate change risk assessment, natural hazard and disaster risk analysis, and corresponding management plan requirements.

A new provision is for an **Environmental and Social Corrective Action Plan** (ESCAP) - When activity details are not fully identified at the time when a project is approved by GCF, or if GCF's environmental and social due diligence concludes that an activity does not meet GCF's policy and ESS, the entities will be required to adopt an ESCAP which will include a series of technically and financially feasible and cost-effective measures to achieve compliance of these facilities or activities with the ESSs within a time frame acceptable to GCF.

- **ESS2: Labour and Working Conditions** – The scope of application of this ESS depends on the type of employment relationship among Entities and the worker. Actions necessary to meet the requirements of this ESS are managed through an Entity's ESMS, the elements of which are outlined in ESS1.

<sup>12</sup> <https://www.greenclimate.fund/sites/default/files/page/gcf-new-ess-stage-2-report-march-2022.pdf>

<sup>13</sup> <https://www.greenclimate.fund/sites/default/files/document/call-inputs-ess-stage-3-ess-full-document.pdf>

<sup>14</sup> The content of this annex ultimately may be added as an additional standard and/or be added to an existing standard, subject to further consultation.

GCF-financed activities are required to comply, at a minimum with (i) national labour, employment, social security and occupational health and safety laws; (ii) the fundamental principles and standards embodied in the ILO core conventions, and (iii) this Standard. World Health Organization recommended standards and practices are to be considered in GCF-financed activities in issues related to health and safety.

Importantly, Entities will provide a grievance mechanism for workers (and their organizations, where they exist) to raise workplace concerns without fear of retaliation, retribution, or dismissal, and to have them addressed in a prompt, fair, and consistent manner. Also, Entities will not employ children below the minimum age of employment or engagement, which will be the age of 15 unless national law specifies a higher age.

- **ESS3: Resource Efficiency and Pollution Prevention** – This ESS applies throughout all the stages of project conceptualization, design process, construction, operation, and decommissioning. The principles and techniques applied during the project life-cycle will be tailored to the hazards and risks associated with the nature of the project and consistent with good international industry practice. Entities will implement technically and financially feasible and cost-effective measures for improving efficiency in its consumption of energy, water, as well as other resources and material inputs, using circular economy principles. The ESS covers (i) resource efficiency; (ii) greenhouse gases; (iii) water resources; (iv) pollution prevention; (v) wastes; (vi) hazardous materials; and (vii) pesticides and fertilizer use and management.

- **ESS4: Community Health, Safety, and Security** – This ESS addresses Entities' responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project related-activities, with particular attention to vulnerable groups. An interesting inclusion is guidance on infrastructure and equipment design and safety. There is also a section on ecosystem services and natural hazards as they may result in health-related risks and impacts. Gender-based violence, sexual exploitation, abuse, and harassment are also covered in this ESS.

- **ESS5: Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement** – Where impacts on land, assets, or access to assets become significantly adverse at any stage of the activity, Entities should consider applying requirements of this ESS, even where no land acquisition or land use restriction is involved. Emphasis is placed on avoidance of displacement, forced eviction, negotiated settlements, and consideration of vulnerable groups. Where land acquisition or restrictions on use of land, assets, and natural resources (whether permanent or temporary) cannot be avoided, Entities will offer compensation to affected people at full replacement cost and other assistance as may be necessary to help them improve or restore their standards of living or livelihoods.

- **ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources** – As a matter of priority, Entities should seek to avoid impacts on biodiversity and ecosystem services. When avoidance of impacts is not possible, measures to minimize impacts and restore biodiversity and ecosystem services should be implemented.

- **ESS7: Indigenous Peoples** – This recognizes that indigenous peoples, have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation, and development. Indigenous peoples may pursue their own concept and way of human development; trying to maintain distinct group identity, beliefs, customs, and worldviews. Entities will identify, through an environmental and social assessment process, all communities of indigenous peoples within the area of influence who may be affected by the activity, as well as the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage), the environmental impacts on them, and to the maximum extent possible attempt to avoid adverse impacts on indigenous peoples. Entities are required to obtain the free prior and informed consent of any affected communities of indigenous peoples.

- **ESS8: Cultural Heritage** – Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage and the UNESCO Convention for the Safeguarding of Intangible Cultural Heritage as well as the United Nations Declaration on the Rights of Indigenous Peoples, this ESS aims to ensure that Entities protect cultural heritage in developing GCF-funded activities.

- **ESS9: Stakeholder Engagement and Information Disclosure** – Entities will establish meaningful consultation and engagement processes which are strategic for meeting the GCF ESS and define clear roles, responsibilities, and authority and will designate specific human and financial resources to be responsible for the implementation and monitoring of stakeholder engagement activities to achieve the objectives of this ESS.
- **ESS10: Financial Intermediaries** – GCF will require that accredited entities, acting in intermediary functions, undertake all necessary measures to ensure that all component subprojects and activities meet the requirements of GCF. Accredited entities acting as Financial Intermediaries will put in place and maintain an ESMS to identify, assess, manage, and monitor the environmental and social risks, impacts, and opportunities of Financial Intermediary subprojects on an ongoing basis.