

INDEPENDENT EVALUATION OF THE GREEN CLIMATE FUND'S ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND MANAGEMENT SYSTEM

BACKGROUND

A key element of the Independent Evaluation Unit's (IEU) 2019 work plan was to conduct an evaluation of the Green Climate Fund's (GCF) Environmental and Social Safeguards (ESS) and the Environmental and Social Management System (ESMS).

The GCF is required to manage all environmental and social risks associated with its climate change activities. To achieve this, the GCF has an Environmental and Social Management System (ESMS), comprising the GCF Environmental and Social Policy and a set of interim Environmental and Social Safeguards (ESS) standards.

OBJECTIVES

The evaluation assesses how well the GCF is:

- Managing the potentially **adverse environmental and social impacts** of the projects and programmes it funds.
- Promoting **environmental, social, economic and development co-benefits**, and taking a gender-sensitive approach.
- Monitoring and **reporting on environmental and social impacts and co-benefits**.

SCOPE

The IEU examined four key parts of the GCF:

- Current interim ESS standards and policies.
- Processes and operations, particularly accreditation, the Readiness Programme and the Project Preparation Facility.
- Investment design and approval processes.
- Project implementation and its likely environmental and social outcomes.



IEU'S Joseph Mutunga and a representative from Paraguay's national designated authority discuss the use of environmental and social safeguards in the GCF-funded 'Poverty, Reforestation, Energy and Climate Change Project.' The project aims to replace the use of kiln-fired charcoal burning and other deforestation-related practices.

KEY FINDINGS

Topic 1: Interim ESS standards and policies

- GCF's interim ESS standards have gaps. The GCF lacks any guidance on how to **screen risks its investments may have on human rights**. Its **gender policy currently does not adhere** to international standards.
- The current ESMS does **not focus on how to achieve social and environmental outcomes** in the design, approval and monitoring stages of funded activities.
- The GCF investment criterion "sustainable development potential" is interpreted in a variety of ways across the GCF.
- The GCF does not require or provide guidelines for **how investments should report on social and environmental outcomes and performance** as well as co-

KEY FINDINGS AND RECOMMENDATIONS

GCF's current interim ESS standards and practices, while initially appropriate, require overhauling. GCF should **urgently develop and adopt new ESS standards, policies and procedures**. These changes should **recognize responsible investing principles, the GCF's climate mandate** and be sensitive to **developing countries' climate needs** and development priorities. Specific recommendations are listed on pages 3 and 4.

benefits. Compared with other climate funds, it has less stringent reporting on safeguard implementation.

- The current **ESMS does not focus on how to achieve positive environmental and social outcomes**. Yet, the GCF's ESS policy recognizes the integration of environmental and social sustainability as a key principle.
- Direct access entities (DAEs) find it challenging to conform with ESS standards. The GCF is significantly growing the number of DAEs, but it is **unclear how well GCF is preparing for the capacity challenge** this increase will present.

Topic 2: GCF processes and operations

- **GCF's accreditation process needs to be reviewed**. Currently, the process does **not highlight the importance of environmental and social performance** through co-benefits. Accreditation is a desk review exercise that **does not verify the capacity of AEs to implement ESS** policies or to monitor ESS for compliance and impact.
- GCF's Readiness and Preparatory Support Programme (RPSP) **fails to meet its remit to report on the strengthening of AE capacity** to manage ESS and gender policies, standards and institutional mechanisms.
- GCF's Project Preparation Facility (PPF) takes far too long – a median of 353 days – to process and approve PPF applications. **Concerns exist about the PPF's value added in building social and environmental safeguards and performance**. PPF's activities have resulted in **only one Board approved funding proposal**. Further, as the PPF lacks a defined strategic focus, stakeholders in and outside GCF often struggle to see how it benefits the GCF business model.

Topic 3: Project design and process

- The investment criterion (IC) "**sustainable development potential**" is **subject to different interpretations** within the fund. **Equity is missing** as an IC, and thus is not

used in determining projects for funding.

- GCF has **no institutional arrangements to punctually address the concerns of active observers** from civil society organizations (CSOs), before or at the time of the Board's consideration of FPs, or even during project implementation.
- The majority of ESS conditions that are attached to funded activity agreements are **"covenants" and do not specify a time frame for their fulfilment**. GCF has not developed a mechanism for the effective monitoring and reporting of these covenants.



Women gather for a meeting in Zambia. The IEU team visited Zambia to discuss the use of social and environmental safeguards in GCF-funded projects 'Strengthening climate resilience of agricultural livelihoods in Agro-Ecological Regions' and 'the Zambia Renewable Energy Financing Framework.'

Topic 4: Project monitoring and reporting

- To date, the tools available to the GCF under its monitoring and accountability framework (**MAF**) to **oversee accredited entities have not been operationalized**. The GCF relies solely on AEs to self-report through annual performance documents. Without the MAF in place, the **GCF has neither control over ESS compliance** nor an adequate process to **monitor, report and realize environmental and social co-benefits**. Non-compliance and non-credible reporting put GCF's reputation at risk.
- The GCF is not able to assess the environmental and social performance of funded activities because the **results**

management framework (RMF) does not require reporting on environmental and social safeguards and co-benefit indicators.

- Awareness of **available grievance redress mechanisms is limited** at all levels – AE, projects and programmes. Experience from other agencies suggests that as the GCF's portfolio grows, so will grievances.

Topic 5: Reducing emissions from deforestation and forest degradation plus

- The GCF requires safeguard requirements **beyond those set out by the Warsaw Framework for REDD-plus (WFR)**. The concept "use of proceeds", where results-based payments by GCF must be invested in a new GCF project, **contradicts the WFR**. Also, GCF's use of a **pass/fail scorecard approach differs from the methodological guidance under the WFR**. Both of these are an additional burden for the delivery of REDD+ action.

KEY RECOMMENDATIONS

The evaluation offers recommendations on how the GCF should develop and customize and incorporate environmental and social standards, policies and principles, and develop organizational capacity.

Topic 1: ESS standards and policies

Urgent recommendations (within a year)

- The GCF's planned revision of its interim ESS standards **needs to address gaps identified** in this evaluation.
- The GCF's planned revision of its interim ESS standards **must ensure environmental and social performance and co-benefits**.
- The Secretariat should ensure **updated tailored operational guidance**, reporting and monitoring systems, including on performance and co-benefits.
- The GCF must **develop guidance for identifying co-benefits** and ensure these are monitored and reported.
- The GCF should develop clear guidance on the **investment criterion for sustainable development potential**.

In *two years*, it is recommended the GCF:

- Set up mechanisms with other agencies to **enhance complementarity at the fund**, national and activity levels.

Topic 2: Process and operations

Urgent recommendations (within a year)

- The GCF should consider developing an **accreditation strategy** that aligns with the GCF's strategic priorities. The desk-based assessment should be **replaced by a robust procedure for assessing an AE's capacity** to report on the implementation of ESS management measures.

In *two years*, it is recommended the GCF:

- Increase support to DAEs before and after accreditation to address ESS requirements.
- **Track and report on RPSP** support for ESS
- Consider radical surgery on the PPF to **improve its processing times and targeting**.
- Review options to **increase awareness of the PPF** among stakeholders.

Topic 3: Project design and approval

Urgent recommendations (within a year)

- Strengthen the process for identifying **environmental and social performance** and co-benefits.
- **Consider including equity** in its guidance for sustainable development potential.
- Ensure that **MAF tools and systems** are operationalized.

In *two years*, it is recommended the GCF:

- Establish procedures for **addressing active CSO observer comments on FPs** related to ESS. Introduce a stakeholder engagement policy for engaging CSOs at the Board level and also at the project level.
- If the PPF is to continue, it must build capacity to **enhance its likelihood of realizing environmental and social performance and co-benefits**, while focusing on getting innovative projects ready for GCF support.

Topic 4: Project monitoring and reporting**Urgent recommendations (within a year)**

- The RMF must be updated to **incorporate reporting on environmental and social impact** and outcome level indicators.
- The Secretariat **needs to set up an early-warning system as part of the MAF** to assist the assessment of risks related to the project.
- The Secretariat must **clarify staff roles and responsibilities for monitoring and reporting** environmental and social performance and co-benefits.
- Any **portfolio management system set up to operationalize** the MAF should include information on AE accreditation, interim/final evaluations, follow-up FAA conditions, and performance on environmental and social benefits.

In two years, it is recommended the GCF:

- Improve the **annual performance report template** so that it can report reliably on environmental and social impacts, outcomes and co-benefits.
- Require AEs to promote **awareness of project-level grievance redress mechanisms** throughout the life cycle of the project and strengthen awareness-raising activities regarding the GCF's Independent Redress Mechanism

Topic 5: REDD+**In two years, it is recommended the GCF:**

- **Take steps** to evaluate the REDD+ pilot programme, focusing on its effectiveness and alignment with the WFR.
- **Provide detailed guidance on Cancun Safeguards** and draw on lessons learned from the ex-ante application of Cancun Safeguards on the GCF portfolio.

METHODS

The ESS evaluation uses a mixed-methods approach that combines quantitative and qualitative methods and data. The evaluation employs the following data sources and methods:

- An extensive review of Board decisions and other GCF documents, as well as relevant external literature and independent ESS evaluations by other climate funds.
- An extensive portfolio analysis that extracted and used quantitative and qualitative data.
- Semi-structured interviews, focus group consultations and a perception survey.
- A benchmarking exercise of other climate funds.
- In-depth country analyses of Morocco, Peru, Paraguay, Zambia, Sri Lanka, Samoa and Kazakhstan.

The IEU conducted the evaluation from April to December 2019. All data included here, unless otherwise noted, are valid up to 8 July 2019.

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