
Annex VI: Outline for the Fund's environmental and social management system

I. Introduction

1. As noted in GCF/B.06/09, the Fund's environmental and social safeguards (ESS) are a piece of a larger operational framework, which will form a Fund environmental and social management system (ESMS). An ESMS is a set of management processes and procedures that allow an organization to identify, analyse, control and reduce the adverse environmental and social impacts of its activities and maximize any potential environmental and social benefits in a consistent way and to improve the environmental and social standing of the organization and its activities over time. The Fund will continue examining policies, processes and procedures, etc., from many sources in order to derive the best ESMS for the interim and which will be further tailored to Fund activities. The Fund ESMS should be developed to be consistent with accepted evolving international systems for quality and environmental management systems. The initial elements of the Fund's ESMS will include:

1.1 Environmental and social policy

2. The Fund's environmental and social policy will describe the Fund's commitments, roles, and responsibilities related to environmental and social sustainability. This policy will also link with other Fund policies and internal structures such as:

- (a) Fund's information disclosure practice;
- (b) Fund's gender policy;
- (c) Fund's Independent Evaluation Unit;
- (d) Fund's independent redress mechanism.

1.1.1 Standards

3. The Fund's interim ESS (to be customized in the future) and supporting International Finance Corporation (IFC) Guidance Notes (to be customized in the future) set out the standards required for funding proposals. Annex I further elaborates upon the ESS and Annex III contains the Fund's interim ESS and a link to the supporting IFC Guidance Notes.

1.1.2 Process and procedures

4. A scaled risk-based approach will be applied by the accredited entities, which is elaborated upon further in Annex I.

1.1.3 Environmental and social review of the institutional capacities of entities during the accreditation process

5. The accreditation process will review entities to determine if they have the capacity to implement the Fund's interim ESS. The applicant entity also needs to be able to evaluate the executing entities' capacity and commitment to implement the Fund ESS. This process is described further in Annex I.

1.1.4 Monitoring and reporting

6. The Fund will require accredited entities to submit periodic reports of how they are classifying/categorizing and monitoring executing entity funding activities through mechanisms such as reports developed by executing entities, reports developed by independent third parties, and accredited entity site monitoring visits. This submission will include a summary evaluation from the accredited entity

of how the executing entity is performing and, if they are not performing, how improved performance is being sought.

7. In all cases, the Fund will have the right to conduct site visits or audits of executing entity projects either with the accredited entity or independently.

1.1.5 Organizational capacity and functions

8. Environmental and social roles and responsibilities within the Fund and between various entities will be elaborated upon and included in the standard legal arrangements between the Fund and its IEs and intermediaries