



Environmental and Social Management System

WALD Innovation Facility

MANUAL



INTERNATIONAL UNION FOR CONSERVATION OF NATURE

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This Environmental and Social Management System (ESMS) Manual is designed to guide applicants seeking grants under the WALD Innovation Facility. It provides essential information and clear guidelines on the application of the Facility's ESMS. Additionally, the Manual outlines the necessary steps for grantees to ensure compliance with the ESMS, helping to effectively identify, assess, and mitigate potential environmental and social risks associated with their projects.

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Abbreviations

E&S	Environmental and Social
ESCP	Environmental and Social Commitment Plan
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESDD	Environmental Social Due Diligence
ESS	Environmental and Social Standards
FPIC	Free, Prior, and Informed Consent
GHG	Greenhouse Gas
GM	Grievance Mechanism
IF	Innovation Facility
ILO	International Labor Organization
IPLC	Indigenous Peoples and Local Communities
IP	Indigenous Peoples
IUCN	International Union for Conservation of Nation
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
M&E	Monitoring and Evaluation
NbS	Nature-based Solutions
NTS	Non-Technical Summary
PAC	Program Advisory Committee
PAP	Project Affected People
PF	Process Framework
PA	Protected Area
SEP	Stakeholder Engagement Plan
WALD	Worldwide Alliance for Landscape-based Decarbonisation
WB	World Bank



1. Introduction

The Worldwide Alliance for Landscape-based Decarbonisation (WALD) is an initiative promoting innovative projects and methods to create carbon sinks with high biodiversity impacts, focusing on nature-based solutions (NbS) that contribute to climate change mitigation and biodiversity conservation. The Innovation Facility (IF) is part of this broader effort, supporting projects that seek funding for initiatives that have significant potential for positive environmental and social (E&S) impacts. The Facility is managed and implemented by the International Union for Conservation of Nature (IUCN).

The Innovation Facility emphasizes the integration of environmental and social safeguards into every stage of the project lifecycle. This reflects the Innovation Facility's dedication to sustainable development, nature conservation, and the protection of human rights, particularly for indigenous peoples and local communities (IPLC), and marginalized groups. To put this into practice, an Environmental and Social Management System (ESMS) has been developed specifically for the Innovation Facility and is described in this Manual. The system ensures that the environmental and social (E&S) risks and impacts of funded projects are effectively managed, follow international best practices, and adhere to stringent E&S safeguard standards.

The ESMS is based on the <u>IUCN Environmental</u> and Social Management System (ESMS) Policy <u>Framework</u> and on the <u>KfW's Sustainability</u> <u>Guideline (2024)</u> and the applicable Standards therein, namely the <u>World Bank Environmental</u> and Social Standards (WB ESS), as a mandatory reference framework. In addition to these guiding frameworks, projects funded by the Facility must also be compliant with provisions of the legal framework of the host country(s) where the project is being implemented.

The ESMS provides a systematic process and procedures for identifying, assessing, managing and monitoring E&S risks and potential impacts, in line with the applicable E&S standards and guidelines. Adhering to these procedures will safeguard projects funded by the Innovation Facility against potential adverse environmental and social impacts by assuring that the negative impacts are avoided or minimised to the maximum extent possible. Proponents/grantees¹ will therefore need to demonstrate their capability and commitment to adhere to the requirements stipulated by the ESMS. The ability to avoid and manage E&S risks effectively will significantly influence project selection as the Innovation Facility will not consider projects with high environmental and/or social risks for funding. An Exclusion List (Text Box 1) has been developed to help grantees identify activities that would be classified as high-risk, resulting in the project being ineligible for funding by the Innovation Facility.

The ESMS Manual aims to: i) facilitate the identification, assessment, management, and monitoring of E&S risks associated with the IF-funded projects and ii) assist in mitigating risks throughout the lifecycle of each project in line with the applicable standards. It does this by establishing a consistent approach to risk management that integrates E&S considerations into the grant-making process and entire project life cycle. This includes procedures and methodology for E&S safeguards screening, risk categorization, stakeholder engagement, roles and responsibilities as well as other E&S processes. The ESMS processes follow a tailored methodology, developed by examining previous practices and

During the concept note and the full proposal stages, the term "proponent" refers to an entity applying for a grant. If awarded a grant, the proponent will become the beneficiary and is referred to as the "grantee" in the grant contract with IUCN. For simplicity, the ESMS Manual uses the term "grantee" to refer to both throughout the document.

lessons learned from donors and other institutions to create a user-friendly, adaptable and compliant Manual. With its clear guidelines and tools, the ESMS Manual will guide the grantees to effectively manage risks and comply with required standards. The Manual is an integral part of the operational procedures of the Innovation Facility, as established by the Innovation Facility Operational Manual.

2. Applicable E&S Legislation, Standards and Guidelines

Projects funded by the Innovation Facility must adhere to applicable national policies and legislation, IUCN's Environmental and Social Management Policy Framework and KfW's Sustainability Guidelines (see respective hyperlinks in chapter 1). In cases where any of these three frameworks provide for the more stringent safeguarding standard, the grantee shall conform to the more stringent standard and requirements. Applicants should note that specific carbon standards may have their own requirements on stakeholder engagement and environmental and social safeguards, which must also be adhered to in order to successfully register a carbon project.

2.1. National Policies and Legislation

All projects funded by the Innovation Facility must comply with the applicable national environmental and social policies and legislation of the country where the project is being implemented. This includes, but is not limited to, provisions related to human rights, indigenous peoples, biodiversity conservation, sustainability, occupational health and safety, labor laws, and other environmental and social obligations (e.g., construction and operation permits). The grantee is also responsible for adhering to international environmental and social conventions and treaties adopted by the host country. It is therefore the grantee's responsibility to identify all applicable laws and provisions to ensure compliance.

2.2. International Standards

2.2.1. IUCN ESMS Policy Framework

The IUCN ESMS Policy Framework (hereafter IUCN ESMS), described in the <u>ESMS Manual</u>, was developed in 2014 to particularly cater to the unique needs and specificities of conservation projects. It is rooted in IUCN's environmental and social policies, as well as resolutions from the IUCN World Conservation Congress (WCC). The framework also draws from IUCN's good practice tools developed by its Secretariat programmes and Commissions, and from lessons learned through IUCN's long history of working at the intersection of conservation, social issues, and human rights. The ESMS principles and standards align with the objectives of the Convention on Biological Diversity and other key conventions and international agreements on environmental and social issues, including the Universal Declaration on Human Rights and the United Nations Declaration on the Rights of Indigenous Peoples.

The IUCN ESMS is aligned with the <u>World Bank</u> Environmental and Social Standards (WB ESS 1-10) and the <u>Performance Standards the International</u> <u>Finance Corporation (IFC)</u> with regards to E&S issues relevant for nature conservation projects. It is also recognized by both the Global Environmental Facility (GEF) and Green Climate Fund (GCF), following a thorough accreditation and re-accreditation process.

The IUCN ESMS is guided by eight overarching ESMS principles and four ESMS standards that reflect key E&S areas and issues that are at the heart of IUCN's conservation approach. As illustrated in Figure 1, the four standards (in purple) are on <u>Indigenous Peoples</u>, <u>Biodiversity</u> <u>Conservation and Sustainable Use of Natural</u> <u>Resources</u>, <u>Cultural Heritage</u> and <u>Involuntary</u> <u>Resettlement and Access Restrictions</u>. Together with the principles (in blue), they form the core of the IUCN E&S Policy Framework.

Figure 1: IUCN E&S Policy Framework



IUCN's 2020 ESMS <u>Guidance Note on Assessment</u>, <u>Management and Monitoring of Environmental</u> <u>and Social Risks</u> expanded the thematic coverage of the E&S risk identification approach by adding seven risk areas that had gradually emerged as being specifically relevant for conservation projects. These new areas include: Adverse gender-related impacts (including gender-based violence); Risks of affecting vulnerable groups; Risk of undermining human rights; Community health, safety and security risks; Labour and working conditions; Resource efficiency, pollution, wastes, chemicals and emissions of greenhouse gases; and Risk of project design failing to take climate change into account.

All system documents of the IUCN ESMS are available on the IUCN website (<u>www.iucn.org/</u> <u>esms</u>). The four ESMS Standards are published as stand-alone documents. The ESMS Principles are explained in the <u>IUCN ESMS Manual</u>, which also lays out the procedures for identifying, assessing, managing and monitoring E&S risks and potential impacts.

Additionally, a Guidance Notes is available to support the application of the <u>ESMS principle</u> <u>on Stakeholder Engagement</u> to ensure effective community and stakeholder engagement, participation and public disclosure. A Guidance Note is further available describing the <u>IUCN</u> <u>Grievance Mechanisms</u> to provide people or communities fearing or suffering adverse impacts from a project with the assurance that they will be heard and assisted in a timely manner.

The IUCN ESMS is considered very relevant for the projects funded by the Innovation Facility. Therefore, a summary description of the four Standards and the seven Risk Areas and illustrative examples of project activities are provided in Annex 1.

2.2.2. KfW Sustainability Guideline

In addition to national policies and legislation and IUCN ESMS Policy Framework, projects funded by the Innovation Facility must adhere to <u>KfW's</u> <u>Sustainability Guideline (2024)</u> and the applicable Standards therein. These include:

- Human rights guidelines of the German
 Federal Ministry for Economic Cooperation
 and Development (BMZ in its German
 acronym);
- <u>World Bank Environmental and Social</u> <u>Standards</u> (WB ESS 1-10) and Corresponding <u>Guidance Notes</u>;
- World Bank Group's General Environmental and Health and Safety Guidelines and Industry Specific Guidelines, as applicable, e.g.:
 - for <u>Forest Harvesting Operations</u> which include information relevant to the management of both plantation and natural forests, in temperate, boreal and tropical zones;
 - for timber processing industries can be found in the <u>EHS Guidelines for Sawmilling</u> <u>and Manufactured Wood Products</u>;
 - Perennial crop production;
- Core Labour <u>Standards of the International</u> Labour Organization;

- The <u>United Nations Guiding Principles on</u> <u>Business and Human Rights</u> (UNGP, 2011);
- The <u>United Nations Declaration on the Rights</u> of Indigenous Peoples (UNDRIP, 2007);
- <u>Good Practice Note: Addressing Gender Based</u> <u>Violence in Investment Project Financing</u> <u>involving major Civil Works</u> (WB, 2018);
- <u>Good Practice Note: Assessing and Managing</u> <u>the Risks and Impacts of the Use of Security</u> <u>Personnel</u>, (WB, 2018);
- <u>Use of Security Forces: Assessing and</u> <u>Managing Risks and Impacts</u> (IFC, 2017);
- The <u>United Nations Basic Principles on the Use</u> of Force and Firearms by Law Enforcement <u>Officials</u> (UN, 1990);
- The <u>Voluntary Principles on Security and</u> <u>Human Rights</u> (2010);
- <u>Addressing Security and Human Rights</u> <u>Challenges in Complex Environments</u>, 3rd edition (DCAF/ICRC, 2016);
- The <u>Voluntary Guidelines on the Responsible</u> <u>Governance of Tenure of Land, Fisheries</u> <u>and Forests in the Context of National Food</u> <u>Security</u> (FAO, 2012).



3. ESMS Action and Review Steps along the Project Cycle

The ESMS application is operationalised through a sequence of ESMS actions and review steps along the Innovation Facility's project cycle – as visualized in Figure 2. As explained in Chapter 2, projects funded by the IF must adhere to appliable national E&S safeguard requirements and relevant international Environmental and Social Standards (hereafter referred to as E&S standards). Hence, project selection will depend not only on technical merit but also on the ability and commitment to meet the require E&S standards. This chapter provides an overview of the ESMS review steps and decision points along the three project stages: i) concept note development, ii) full proposal preparation and iii) project implementation. It describes the safeguard analysis carried out at each stage, and the requirements that applicants must fulfil.



Figure 2: ESMS Review Actions and Decision Points along the Project Cycle

3.1. Concept Note Stage

3.1.1. Safeguard Specific Data

Applicants are asked to complete Section E: Environmental and Social Safeguards in the <u>Concept Note Template</u>. The purpose of this section is to provide data about the environmental and social context of the proposed project and to answer questions concerning potential E&S risks posed by projects funded by the Innovation Facility. The section also inquiries about the legal requirements of the host country including environmental or social impact assessment or environmental permitting.

Another critical section for E&S safeguards is Section C: Focus of the Innovation Facility which asks the applicant to describe how the project will advance social inclusion, benefit sharing, and gender equality.

The information provided in these two sections informs the preliminary ESMS screening and applicants are encouraged to complete this section in a diligent manner as this will contribute to the evidence of their understanding of environmental and social risk issues and their capacity to assess and address such risks effectively. Expert and high-quality responses will positively influence the preliminary ESMS screening at Concept Note stage and improve the chances of being selected for funding.

3.1.2. Exclusion List

When preparing the Concept Note, applicants need to review the Exclusion List presented in chapter 2.2.4 of the Guidelines for Applicants (also see Text Box 1 below). The Exclusion List describes activities that are ineligible for funding on the basis of high environmental and/or social risks. The list specifically highlights exclusions related to safeguards risks with the intention of guiding applicants to remain within the eligible E&S risk categories. Applicants need to confirm that the proposed projects do not involve any of the excluded activities or risk issues as Concept Notes that include activities on the Exclusion List cannot be considered for funding.

3.1.3. Preliminary ESMS Screening

The Innovation Facility ESMS Officer will conduct a Preliminary ESMS Screening for Concept Notes that have been pre-selected by the Innovation Facility Secretariat before they are reviewed by the Program Advisory Committee (PAC) based on the technical E&S safeguards criteria. The ESMS Officer will refer to the Exclusion List and the information provided by the applicant in Sections C (Chapter 3) and E of the Concept Note for this preliminary ESMS screening.

The purpose of this step is to identify potential adverse environmental and social impacts– at a high-level – early on and to establish a preliminary environmental and social risk category for the project. While the Concept Notes will not provide in-depth details about the project activities as this will only be defined during the development of the full proposal, the Innovation Facility aims at having a first approximation of the potential risk level at the Concept Note stage to strengthen and inform the selection process.

Text Box 1: Innovation Facility Exclusion List

Exclusions due to environmental and social risks:

- i. Activities that would result in involuntary resettlement (physical displacement) or forced evictions of people from their homes, or territories including customary and ancestral domains.
- ii. Activities that would cause significant livelihood impacts due to access restrictions (economic displacement) unless specific project proponent capacity and experience to effectively manage related risks and impacts (i.e., past projects, E&S safeguard instruments, etc.) can be demonstrated, resulting in an implementation that brings risks and impacts to an acceptable level of risk categorisation. Project proponents would need to demonstrate with evidence in the Concept Note (Section E) that they: i) have identified project-affected groups and assessed respective livelihood impacts from restrictions; ii) are planning to provide effective mitigation strategies as part of project design; iii) have started a process of obtaining Free, Prior and Informed Consent (FPIC) from affected groups.
- iii. Activities that infringe on human rights, including the rights of IPs and LCs, for example, where their FPIC to activities affecting their lands, livelihoods, and cultural identity cannot be established.
- iv. Activities that result in the exploitation of or access to outsiders to the lands and territories of IPs living in voluntary isolation and in initial contact.
- v. Activities that negatively affect tangible cultural resources such as the removal or altering of any physical cultural property (including sites having archaeological, paleontological, historical, religious, or unique natural values) or intangible cultural heritage (e.g., oral traditions, cultural practices, rituals, etc.).
- vi. Actions that exacerbate or maintain harmful cultural norms that support gender inequalities such as gender-based violence.
- vii. Activities that involve harmful or exploitative forms of forced labour or harmful child labour in line with the International Labour Organisation (ILO) core labour standards.
- viii. Projects located in or near areas that are legally protected or officially proposed for protection (incl. reserves according to IUCN Protected Area Management Categories I - VI, UNESCO Natural World Heritage Sites, UNESCO Biosphere Reserves, Ramsar Convention on Wetlands) and which might involve risks of causing adverse impacts to biodiversity and the integrity of the ecosystems, even inadvertently, e.g., through infrastructure and equipment.
- ix. Activities that involve goods, technology, and systems that serve military purposes including infrastructure that would be considered defence dual-use investments that could be used for both conservation and military purposes.
- x. Projects involving the production, storage, or disposal of hazardous waste, including nuclear waste, that are not in compliance with international safety standards.
- xi. Procurement, handling, storage, and use of pesticides/herbicides or other substances deemed illegal under host country laws or regulations, subject to national or international phase-out or prohibition, or that are banned in international conventions and agreements, such as the Rotterdam Convention and Stockholm Convention.

3.2. Full Project Proposal Stage

3.2.1. Collaborative ESMS Screening

The Innovation Facility will notify all applicants of the results of the initial assessment of Concept Notes. Applicants whose Concept Notes are selected to proceed to the Full Project Proposal stage will be invited to attend an Information Session during which guidance on the procedures and technical topics will be elaborated. Right after this group information session, applicants will be invited individually for a collaborative ESMS screening session.

The collaborative ESMS screening will enable the applicant and the IF ESMS team to jointly review the results of the preliminary ESMS screening, analyse E&S risks including their probability and magnitude, and discuss measures for risk avoidance, minimization and mitigation. To achieve this in-depth level of discussion it is critical that the applicant comes with information about project activities and expected outputs, preferable presented in form of a draft project results framework.

The collaborative ESMS Screening is guided by the ESMS Screening Questionnaire (Annex 2) which provides a systematic approach to risk identification by presenting a set of questions for each ESMS Standard and Risk Area that stimulate reflection on risk issues or risk events within each area. The significance of the identified risks is then judged by combining two criteria: the **likelihood** of the risk event(s) expected to occur and its anticipated **impact** (or consequence). The methodology is detailed in the IUCN ESMS Screening Questionnaire.

The ESMS Screening Questionnaire will be completed during this collaborative screening session. The session will also serve to identify potential data gaps and better understand the applicant's capacity (e.g., experience, staffing etc.) to manage the safeguards risks associated with their proposed project.

After this session, the Innovation Facility will prepare the final ESMS Screening Report. This report will specify the E&S risk category (low, moderate, substantial or high) of the proposed project, the required risk assessments (e.g., ESIA or targeted risk assessment) and the required safeguards instruments to be developed during the Full Project Proposal stage. Depending on the assigned risk category and the identified risks, the report may also specify requirements related to the technical capacity of the applicant for managing or assessing these risks (e.g. staffing needs).

3.2.2. Risk Categorization

This chapter explains the approach applied for determining the risk category of projects funded by the Innovation Facility. While it is mainly used by staff of the Innovation Facility, the purpose of describing the approach below is to ensure transparency and accountability vis a vis the applicant / grantee.

3.2.2.1. Factors Influencing E&S Risks

The identification of E&S risks during the collaborative ESMS Screening and the subsequent drafting and finalizing of the Screening Report by the Innovation Facility will consider the following three factors as influencing E&S risks and their significance. The three factors are explained in more detail in the paragraphs below.

- Proposed project activities
- Project context
- Capacity of the applicant to manage environmental and social risks.

Project activities

E&S risks are most prominently a consequence of specific activities a project plans to implement, including due to their specific geographical location, duration and scale, among others. To illustrate typical risks potentially encountered by projects funded by the Innovation Facility, Annex I showcases the application of the IUCN ESMS Standards and risk areas. As such, it gives an idea of project activities that could potentially be associated with social or environmental risks.

Project context

With regards to the project context, it is important to note that contextual risks are not considered safeguards risks. Contextual risks are external factors, some of which might be identified as project risks (risks to the project) if they are likely to affect the ability of the project to achieve its expected outcomes. But project risks are different from safeguard risks. Safeguard risks are environmental or social risks originating from the project itself with the potential to affect people or the environment (risks from the project).

The analysis of the project context is nevertheless important from the safeguard perspective as project activities might perpetuate, aggravate or further exacerbate existing contextual risks; or the existence of contextual risks may increase the likelihood of project activities to trigger negative impacts. One example is a contextual situation where decision making over access to land and resources is male dominated and a project might further exacerbate these inequalities if no affirmative action or gender-responsive measures are taken.

Typical contextual factors to be considered during the ESMS Screening are:

- Conflict or post-conflict situations (civil war, inter-ethnic conflict etc.). Such conflicts might be further aggravated by project activities, e.g., by providing benefits to one ethnic group spurring inter-ethnic conflicts.
- If project sites are affected by organized poaching, drug cultivation/trafficking, organized crime or trafficking of persons or illegal migration - as this could translate into security and safety risks for communities (e.g., engaged in reforestation activities in those areas) or for project workers.
- History of human rights conflict or past injustice in the project area, including evictions and failure to compensate people for their land - as project activities might further exacerbate past injustice (e.g., through the

designation of new protected areas affecting the livelihood of the same groups).

- Gender-based violence, e.g., whether the country or region has a particular prevalence of GBV, socio-cultural conditions or lack of institutional framework for protecting women – as project activities might give rise to GBV (e.g., enhancing law enforcement in a protected area might lead to sexual and other forms of violence, particularly in contexts where women and girls are collecting natural resources in remote sites).
- Contexts where applicable national legislation is weak or not well enforced in the project areas, to the extent that the project should take additional actions to ensure compliance with the ESMS requirements described in this manual.

Capacity of the applicant

The capacity and experience of the project proponent / grantee is another risk factor to consider during ESMS Screening. Analysing the proponent's capacity involves assessing their organizational capacity to identify and address safeguard risks. Key considerations include staff with expertise or trained to effectively manage environmental and social risks and the organization's experience with safeguard systems (e.g., past projects funded by donors requiring safeguard assessments or instruments systems and whether these systems are comparable with the E&S standards).

3.2.2.2. Guidance for Risk Rating and Categorization

The Innovation Facility applies four levels to rate the significance of applicable E&S standards and Risk Areas: high, substantial, moderate and low. Note that risks are rated as if no mitigation or management measures were in place. The significance rating signals how much attention the E&S Standards or Risk Area will require during project development and implementation and the extent of control and mitigation actions to be put in place. The project risk category is then established and formalized in the Screening Report as a next step, based on the highest significance rating of the applicable E&S Standards and Risk Areas, or on cumulative significance. Table 1 below illustrates the four risk categories.

Table 1: Project Risk Categories

Project Risk Category	Description
High Risk	Projects with severe or major adverse impacts on people and/or environment with high or very high likelihood, e.g., very large geographic area, large number of people, transboundary impacts; long-term (permanent and irreversible); highly sensitive receptors (e.g. high biodiversity value areas, indigenous peoples; vulnerable groups, threatened cultural heritage); impacts giving rise to severe and cumulative social & env. conflicts, aggravating existing situations of fragility, adversely affecting human rights and/or leading to irreversible environmental degradation; requiring comprehensive forms of risk assessment and management plans. It includes projects that are highly likely to cause significant adverse environmental and social impacts that may not be manageable.
	The Innovation Facility will not fund projects considered as high risk (as explained in the exclusion list in <u>Call for Concept Notes – Guidelines for Applicants</u>).
Substantial	Projects with adverse social and/or environmental impacts, that are less severe than those of high-risk projects but more complex (with interactions) and with a larger extent than those of moderate risk projects; impacts are expected of a certain duration but still reversible if sufficient effort is provided for mitigation; receptors are considered sensitive; requiring a well scoped, fit-for-purpose Environmental and Social Impact Assessment (ESIA), management plans to be developed with extensive stakeholder consultation.
Moderate	Projects with potential adverse impacts that are fewer and less severe than substantial or high-risk projects. These impacts are limited in scale (small area and low number of people affected), limited in duration (temporary) and reversible, impacts are relatively predictable and can be avoided, managed and/or mitigated with known solutions and straight forward measures.
Low	Projects with minor or negligible adverse environmental or social impacts or very unlikely to occur. No specific management plans are required for these projects, but requirements for stakeholder engagement and grievance mechanism still apply.

Project considered **high risk** are not funded by the Innovation Facility as explained in the exclusion list in <u>Call for Concept Notes – Guidelines</u> for <u>Applicants</u>. Projects that are classified as **moderate** or **substantial** risk can be funded. However, the applicant needs to demonstrate that carrying out the required fit-for-purpose ESIA is manageable within the timeframe given for the development of the Full Proposal.

3.2.3. E&S Risk Assessments

The risk categorization that results from the ESMS Screening helps in determining the actions required to be taken by the grantee in order to manage the identified E&S risks effectively. While the specific impacts may not be fully clear at this stage, the categorization guides the grantee in conducting the appropriate assessments to analyze potential risks and impacts. These assessments may include additional studies, as needed, to develop the required safeguards instruments, as illustrated in Figure 3.





All moderate and substantial risk projects require more detailed assessments to guide strategies for managing risks and mitigating adverse impacts. Applicants are encouraged to use any existing E&S instruments, assessments, or studies they may already have carried out previously in response to national requirements or certification frameworks. As explained above, the Innovation Facility will not consider projects categorized as high risk for funding. Projects that are classified as **substantial** or moderate risk are eligible for funding, but the applicant needs to demonstrate that carrying out the required fit-for-purpose ESIA or targeted E&S Risk Assessment is manageable within the timeframe given for the development of the Full Proposal and with own resources.

Low risk projects will not require any further actions. However, the grantee must continuously monitor for E&S risks during project implementation and promptly inform the Facility if any risks emerge, at which point some assessments may be necessary.

3.2.3.1. Guidance for E&S Risk Assessments

The specific scope and focus of the E&S risk assessments is based on the results of the analysis carried out during collaborative screening process and specified in the ESMS Screening Report.

An ESIA is a comprehensive risk assessment process that starts with a scoping exercise. This exercise helps in the design and planning of an impact assessment that examines the full range of potential positive and negative E&S impacts of a proposed project. The ESIA process includes a dedicated methodology for stakeholder analysis and consultation of project-affected people, rightsholders and other stakeholders. It also involves a thorough analysis of the host country's policy, legal and administrative frameworks on E&S issues, collection of E&S baseline data, assessment of envisaged impacts and an analysis of alternatives to the proposed project.

The grantee must document the ESIA process taken, including stakeholders engaged, and the measures for mitigating the E&S risks in an ESIA report. The key elements of the ESIA report are illustrated in Figure 4 below. The mitigation strategy devised by the grantee should comply with the 'mitigation hierarchy' and will be captured in an Environmental and Social Management Plan (ESMP), which is discussed in Chapter 3.2.4.

The fit-for-purpose ESIA, designed for projects with substantial risks, follows the same approach as a full ESIA but with a narrower scope as it focuses primarily on the risk areas identified during the ESMS Screening. While it still requires extensive consultation with stakeholders, particularly those directly affected by the project, it requires less time and resources compared to a full ESIA. However, its scope should remain proportionate to the project's complexity and the nature and scale of the identified risks. The fit-for-purpose ESIA process should define its scope to complement the risk identification procedure, as the ESMS Screening—being a deskbased exercise—might have overlooked some impacts. The ESMS Screening Report will outline the necessary skills and expertise to conduct the fit-for-purpose ESIA and may also specify the stakeholders who need to be engaged, along with the assessment and consultation methodology to be used.

More guidance on the conduction of an ESIA can be found in the <u>IUCN ESIA Guidance Note</u>.

Moderate-risk projects should conduct a targeted Environmental and Social (E&S) risk assessment (ESA). Compared to the fit-for-purpose ESIA, the ESA is even less comprehensive, both in terms of scope and stakeholder engagement requirements. The ESMS Screening Report will define the data gaps that need to be addressed by the ESA,

Figure 4: Key Elements of an ESIA Report

outline the specific elements to be assessed, and specify the stakeholders to be consulted based on the E&S risks identified. The ESA can be carried out by the grantee or an external consultant, as specified in the ESMS Screening Report.

The ESMS Screening may also request a Social Impact Assessment (SIA), which is similar to an ESIA but focuses exclusively on social risks and the project's impact on communities, to be done. This may include assessing effects on local livelihoods, community health and well-being, vulnerabilities, and the potential for triggering social conflicts, among others.

Similar to the ESIA approach, the SIA should be more comprehensive for substantial risk projects (fit-for-purpose SIA) and more focused for moderate risk projects (targeted social risk assessment). For more detailed guidance, please refer to the <u>IUCN SIA Guidance Note</u>.

	Project description	-0	To understand the project activities, area of influence and intended impacts and identify built-in strategies for avoidance / mitigation of E&S risks
	Analysis of policy, legal, and administrative framework	-0	To clarify the framework within which the project operates and to identify gaps with IUCN standards to be addressed by the project
848 8	Stakeholder identification and analysis	-0	To clarify who should be involved in the ESIA process, in particular groups that might be affected
	Environmental and social baseline data	-0	To understand what the starting point is including any changes anticipated without the project
	Environmental and Social Impact Assessment	-0	To analyse the social and environmental risks and rate their likelihood and expected impacts (consequence)
	Analyses of alternatives *	-0	To identify other options to achieve project objectives and compare impacts, including the alternative of not implementing the project
	Environmental and Aocial Management Plan (ESMP)	-0	To identify measures for avoiding and minimizing the identified risks including arrangements for implementation and monitoring
	Results of stakeholder consultations	-0	To understand stakeholder concerns and what is needed to protect their rights and livelihood

3.2.3.2. Guidance on Disclosing the Non-Technical Summary

Regardless of the type of assessment required, the grantee needs to disclose the findings of the E&S risk assessment process including environmental and social risks and impacts and the proposed mitigation measures purpose in the form of a Non-Technical Summary (NTS). This is to provide a concise and accessible overview of a project's E&S risk management approach and to allow feedback from project-affected people, including voicing their concerns and suggestions. The NTS must include:

- Project description: overview of the project's goals, location, timeline, and planned activities;
- E&S impacts: summary and mapping of potential positive and negative impacts;
- Mitigation measures: description of strategies and mechanisms to mitigate identified impacts;
- Stakeholder engagement: information on how stakeholders have been or will be involved;
- Contact information: details on where to obtain more information or provide feedback.

The NTS should be disseminated as early as possible, but no later than before any project activities begin in the project's area of influence. It should be published in an understandable and culturally appropriate format and language(s) and with a timeframe that allows the consideration of the affected peoples' concerns and suggestions. Channels might include online platforms, printed materials in accessible locations, local media and formal/informal presentations in public forums etc.

3.2.4. Development of Safeguard Instruments

Safeguard instruments are tools that outline how a project will address the identified E&S risks and potential adverse impacts. When properly designed and tailored, these instruments serve several key purposes: they facilitate project approval, support ongoing risk management, ensure compliance and accountability, and help build trust with stakeholders.

Identifying mitigation measures is guided by the 'mitigation hierarchy'. First, all reasonable efforts must be made to **avoid** negative social or environmental impacts (e.g., by selecting alternative sites or adjusting the project's technical design). If avoidance is not possible without undermining the project's conservation objectives, the next step is to **minimize** the impacts to acceptable levels. If minimization is still insufficient, any remaining residual impacts must be addressed through **adequate and fair compensation measures**.

The Innovation Facility will be available throughout the Full Project Proposal development stage to guide the grantees on the development of the E&S safeguards instruments. This might include assisting the development of ToR for risk assessments, identification of technical experts, reviewing and providing feedback on the preliminary safeguard instruments, among others.

3.2.4.1. Instruments for Moderate and Substantial Risk Projects

Environmental and Social Management Plan (ESMP)

The umbrella safeguards instrument required for all projects categorized as moderate and substantial is the Environmental and Social Management Plan (ESMP). An ESMP is considered the main output of the E&S risk assessment process and describes the project's E&S risk management strategy by listing the identified risks and their respective mitigation measures, their schedule of implementation as well as required resources and responsibilities. It also presents a brief overview of the E&S context and the legal framework of the host country regulating environmental and social matters as well as provisions for capacity building and institutional arrangements for implementing the ESMP.

Another important element of the ESMP is the establishment of indicators that allow tracking progress and effectiveness of each mitigation measure. These indicators must be measurable, practical and directly related to the impact being addressed. The number of indicators and their complexity needs to be commensurate to the expected risk level (significance). The ESMP also defines the indicator baseline, timing and methodology of measuring the indicators, specifies the roles and responsibilities and budgetary resources.

The IUCN ESMP template enclosed in Annex 4 provides detailed guidance about the development, implementation and monitoring of the ESMP.

Instruments required for specific E&S Standards and Risk Areas

The ESMP might need to be complemented by specific safeguard instruments if applicable E&S standards are triggered and depending on the identified risks, their significance, and whether specific stakeholder input will be required. The need for such additional instruments will be established in the ESMS Screening Report. As a rule of thumb, for risks for which management measures can be presented in a concise manner, these are often best established in the ESMP. Where measures are substantial and require a comprehensive stakeholder engagement process, it is usually more conducive to describe the risk management strategy in form of a dedicated safeguard instrument. The brief description of the instruments triggered by different standards is provided below including a hyperlink to the IUCN ESMS website where guidance for each instrument is available. Figure 8 presented at the end of chapter 3.2.4 gives a visual overview of the standards and risk areas and the respective instruments.

If the Indigenous Peoples Standard is triggered, either an Indigenous Peoples Plan is prepared or, in case sites or project activities are not yet known, an Indigenous Peoples Planning Framework. While projects that would result in resettlement of people are considered to be high risk and will therefore not be funded by the Facility, activities causing livelihood impacts due to access restrictions might be funded provided the project proponent have demonstrated capacity and experience to effectively manage related risks and impacts. As such the proponent should have already provided evidence in the Concept Note that they: i) have identified project-affected groups and assessed respective livelihood impacts from restrictions; ii) are planning to provide effective mitigation strategies as part of project design; and iii) have started a process of obtaining Free, Prior and Informed Consent (FPIC) from affected groups. These findings will form an essential part of the Access Restriction Mitigation Process <u>Framework</u> to be developed by the proponent during project preparation.

Where the Standard on Biodiversity Conservation is triggered, a <u>Pest Management Plan</u> might be needed or specific action taken for managing other biodiversity risks such as the risk of species introduced into an area outside of their natural range developing invasive characteristics. The Standard on Cultural Heritage might require the development of a Chance Find Procedure if there is a risk that civil works might affect hidden cultural resources following the outline provided in the annex of the Cultural Heritage Standard. Overall, the Biodiversity Conservation and Cultural Heritage standards are less prescriptive and the decision whether mitigation measures should be established in form of an action or integrated into the ESMP will depend on the judgement of the Innovation Facility ESMS Officer.

Although not very likely, it cannot be ruled out that projects submitted to the Innovation Facility might include activities that aim at enhancing the enforcement of environmental legislation, for instance in protected areas. These might include equipment for patrolling, improvements of standard operating practices for law enforcement or the actual funding of patrolling activities (e.g., salary of guards or topping up). While it is recognized that security and law enforcement is vital for biodiversity conservation, working with law enforcement might implicate risks to the health and safety of communities or might affect labour and working conditions of staff and volunteers engaged for law enforcement. If such risks are identified by the ESMS Screening, the project proponent will need to complete the Security and Human Rights Risk Questionnaire (Annex 11). The questionnaire will then be reviewed by the Innovation Facility ESMS Officer. If the likelihood and significance of potential risks or impacts

related to law enforcement is confirmed, and the risk is classified as **high risk**, the project will not be funded unless the respective project component is re-designed or removed. If the impacts/risks are classified as **substantial or moderate risk**, the applicant needs to demonstrate that carrying out a Security Risk Assessment (SRA) and the development of a Security Risk Management Plan (SMP) is manageable with own resources and within the timeframe given for the development of the Full Project Proposal. See Annex 12 for generic ToR for a SRA.

Projects involving small-scale construction or renovation activities might need to prepare an Environmental and Social Code of Practice (ESCOP). The purpose of the ESCOP is to provide procedures for proactively addressing potential E&S risks and impacts that may arise from small-scale civil works, such as the construction/ renovation community infrastructure (e.g., education and health care facilities, boreholes, etc.), aquaculture, landing sites, or of ecotourism infrastructure and facilities, among others. A template for an ESCOP is included as Annex 5. The ESCOP needs to be developed in line with the host country requirements for E&S safeguards.

3.2.4.2. Instruments Applicable to all Projects, Regardless of Risk Category

Irrespective of the identified risks and the risk category, all projects require the preparation of a project-level Grievance Redress Mechanism (GRM), a serious incident reporting mechanism and a Stakeholder Engagement Plan (SEP). It is important to note that all projects funded by the Innovation Facility must conduct a gender analysis to guide the Gender Action Plan (GAP). The gender analysis and GAP are however not considered as safeguards instruments. More details on conducting a gender analysis and developing a GAP can be found on the Innovation Facility website.

Stakeholder Engagement

To align with the ESMS Stakeholder Engagement principle as described in the *Call for Concept Notes – Guidelines for Applicants*, projects funded by the Innovation Facility need to conduct a stakeholder analysis and document the stakeholder engagement process carried out during the preparation of the Full Proposal. Grantees also need to develop a Stakeholder Engagement Plan to demonstrate how they will continue to engage relevant stakeholders throughout the Project Implementation phase.

Stakeholder Analysis

A stakeholder analysis is the process of identifying a project's key stakeholders, assessing their interest in the project, the ways in which these stakeholders may influence the project's outcomes and how they might be impacted by project activities, positively or negatively. A stakeholder analysis provides the foundation for planning stakeholder engagement throughout the project cycle - who should be involved in the preparation of the project, but also later during implementation of the project and when monitoring project results. A stakeholder analysis will also help decide who to involve during the E&S risk assessment. Further instructions are provided in the IUCN Guidance Note on Stakeholder Engagement.

Projects funded by the Innovation Facility need to demonstrate how they have identified and analyzed stakeholders already at an early stage to ensure that their views and interests are taken into consideration when designing the project. The analysis should describe stakeholders at relevant geographical scales (national, regional and local) and cover government, private sector and civil society organizations relevant to the project activities as well as social groups that are not formally organized. Most importantly the stakeholder analysis should describe local stakeholders including Indigenous Peoples and local communities present in the project site and project area of influence as well as stakeholders likely to be affected (positively or negatively) by the project. A Stakeholder Analysis template is included as Annex 3 in the Call for Concept Notes – Guidelines for Applicants (as well as in this document as Annex 6), and an initial highlevel Stakeholder analysis needs to be submitted together with the Concept Note.

This initial, high-level stakeholder analysis will then need to be expanded when the applicant is invited to develop a Full Proposal and more information about the social context and actors comes up through interviews with key informants (e.g., government and local Civil Society Organisations (CSOs) representatives, experts etc.), consultations with already identified stakeholders, and site visits. It is crucial to disaggregate stakeholders at the local level, e.g., communities, indigenous groups, different gender groups, youth and groups likely to be affected by the project (positively or negatively) and to ensure that no relevant groups are excluded, e.g., marginalized, disadvantaged or vulnerable groups. Attention is also required with indigenous people stakeholders, in particular in countries where (certain) indigenous groups may not be recognized by national governments.

The analysis should be considered as a work in progress to be updated and refined as the project gets further defined, new project activities might be added, and further consultations have happened.

Documenting Stakeholder Engagement During Project Design

The findings of the stakeholder analysis, e.g., the understanding of stakeholder's interests, influence and potential of being affected by the project, will inform the decision which stakeholders to consult during project preparation. The IUCN Guidance Note on Stakeholder Engagement (quoted above) provides guidance how to best organize consultations to ensure they are gender responsive and free of manipulation, interference, coercion, discrimination and intimidation as well as being responsive to the needs and interests of disadvantaged and vulnerable groups. Consultations can be organized with individual stakeholder groups, but often a workshop setting where multiple stakeholders and communities are gathered at the same time are very effective. However, it will need to be ensured that disadvantaged or marginalized groups (including people with lower ability to articulate their views) receive sufficient attention. Hence separate meetings might be needed, also in a context where social norms would otherwise prevent effective participation or women. For consultations to be meaningful, relevant information should

be communicated in relevant local language(s) prior to the consultation within a timeframe that enables consultations with stakeholders in a culturally appropriate format.

Consultations should be held as early as possible to allow identification of potential impacts on stakeholders in the project's area of influence and the roles stakeholders may play in the project. It can also help flag issues, gaps and opportunities in project design at a time when adjustments are most easily made. Where potential impacts or risks are identified, consultation are continued as part of the E&S risk assessment process (see chapter 3.2.3) to verify and understand significance of impacts, make changes to project design to avoid impacts or jointly develop mitigation measures.

Consultation carried out during the project preparation phase should be documented to provide evidence that all relevant stakeholders (as specified by the stakeholder analysis) have been consulted. The following details should be provided:

- Type of information disclosed, in what forms and languages (e.g., brochure, reports, radio etc.) and how it was disseminated;
- Location and dates of any meetings undertaken to date;
- Individuals, groups and/or organizations that have been consulted;
- Key issues discussed, and key concerns raised;
- Reponses to issues raised, including any commitments or follow-up actions and reporting back to stakeholders.

The Concept Note Template instructs applicants to describe the process used to identify relevant stakeholders, in particular those likely to be impacted by the project and indicate their location within and around the project area; and to document the stakeholder consultations carried out for the preparation of the Concept Note using the template provided in the Annex 3 of the *Call for Concept Notes – Guidelines for Applicants* and submit together with the Concept Note. During the development of the Full Project Proposal consultation will naturally increase in line with the stakeholder analysis that will be further populated and expanded. The final documentation of all stakeholder consultation meetings will need to be submitted together with the Full Project Proposal, using the template which is already available at the concept stage (Annex 3 of the Concept Note Guidelines or here in Annex 7).

Stakeholder Engagement Plan (SEP)

Because stakeholder engagement needs to continue throughout project implementation, the grantee will have to develop a Stakeholder Engagement Plan (SEP) that outlines the intended engagement strategy. Engagement can take different forms depending on the stakeholder and the purpose of engagement. Stakeholders can be engaged in strategic decisions on project management or governance (e.g., as member of a steering committee); they may be expected to provide inputs to thematic decision, become part of an advisory group or be engaged in specific agreements (e.g., agreement on benefit sharing). Other roles might involve the participation in project monitoring or involvement in programmatic activities. For other actors the SEP may establishes less active engagement strategies, e.g., being informed about the project or specific outputs.

The SEP is a planning tool that establishes actions for each stakeholder group, roles and responsibilities for implementing them; their timing, required resources/budget and, where applicable, capacity-building to support this engagement. It further includes key indicators of stakeholder engagement during project implementation, and steps that will be taken to monitor and report on progress and issues that arise. The template for drafting the SEP is attached below as Annex 8. The grantee is required to submit the project's SEP together with the Full Proposal. Engagement strategies need to be culturally adapted and accessible, considering local customs, languages, and communication styles (i.e.: interpretation and translation where necessary) to maximize participation. Some projects might need to comply with national regulations and requirements on public consultation and disclosure requirements as part of national requirements on environmental impact assessments (EIA). Such regulations and requirements need to be summarized in the SEP as well as applicable international obligations.

A project's SEP should be considered as a planning tool that will need to be updated on a regular basis as new stakeholders might emerge during project implementation, necessitating additional engagement. The grantee should therefore submit updated versions of the SEP as part of the biannual reporting. Biannual reports should also include a record of consultations and engagement activities conducted during the reporting period. Grantees are required to use the Stakeholder Consultation Template provided as Annex 8 in this Manual.

Grievance Mechanism

The Innovation Facility ESMS Grievance Mechanism (GM) provides a structured process for addressing complaints from stakeholders and ensures that IF-funded projects comply with ESMS principles, standards, and procedures. The aim of the grievance mechanism is to provide people or communities fearing or suffering adverse impacts from a project with the assurance that they will be heard and assisted in a timely manner. By providing a structured process for receiving, evaluating, and resolving grievances, the grievance mechanism will help to prevent disputes from escalating, disruptions and delays in project implementation.

The IF GM is based on the good practice principles summarised in Figure 5 below.

Figure 5: Good Practice Principles of the ESMS Grievance Mechanism

()	Accessible and free of charge	-0	Should be easy to use and available to all stakeholders without financial barrier.
	Practical	-0	Should be simple, user-friendly, and adaptable to the context in which it operates.
E	Effective and timely	-0	Complaints should be addressed promptly and efficiently to ensure meaningful resolution.
	Transparent	-0	The process should be clear, well-communicated, and open to scrutiny to build trust.
197	Independent	-0	Should function impartially, free from undue influence or bias.
	Confidentiality	-0	Should allow for anonymous submissions i.e., offer the option to report concerns without revealing of identities.
	Protection from retaliation	-0	Complainants should be safeguarded from any adverse consequences for raising concerns.
	Maintenance of records	-0	All grievances received and the actions taken to address them should be systematically documented.

Each complaint is reviewed to understand whether a potential breach of safeguard policies and standards has occurred. A process is conducted to identify the root causes of the subject of the grievance or wrongdoing and ensures that issues of non-compliance with the safeguard policies are corrected; some cases may also require remedial actions to redress potential harm resulting from a failure to respect safeguard policies and standards or preventive measures to avoid repetition of non-compliance.

While the main focus of the GM are breaches of safeguard policies and standards, the mechanism also serves to receive complaints about wrongdoing or misconduct as established by other IUCN policies ensuring ethical standards and accountability. Examples of wrongdoing include fraud, bribery, and corruption, asset misappropriation, discrimination against project staff, sexual exploitation and abuse, harassment or bullying, undue breach of confidentiality or privacy, money laundering or terrorism financing. The list is not exhaustive and further details are explained on the Innovation Facility website. The Innovation facility chose to use only one channel to facilitate the submission of complaints and ensure access as project stakeholders may not be able to differentiate between the nature of grievance.

Three-stage approach

To be practical and cost-effective, resolution of complaints should be sought at the lowest possible level. The IF GM is therefore designed as a three-stage process as shown in Figure 6.

Figure 6: Three-stage process of the Innovation Facility Grievance Mechanism



Complaints shall be submitted, in first place, to the local level (grantee / project management team) to allow the affected party and the project team to clarify the issue and work collaboratively on a way forward that advances their mutual interests.

If no solution is agreed or if the complainant is not satisfied with the response, he/she can escalate the concern to stage 2 (Innovation Facility Secretariat) for resolution. If also the second stage has not been successful, the complainant can submit the grievance to the centralized IUCN Whistleblower Platform that will direct the complaint to the IUCN Head of Oversight Unit (stage 3).

It is important to note that the affected party can escalate the complaint to a higher level (stage 2 or 3) already at the outset because of the nature of the issues raised. This applies specifically for misconduct that are sensitive or where the allegations are against individuals working in the project team or another entity involved at the local level (stage 1). This is to protect the complainant who may feel uncomfortable or fear retaliation.

Project-level Grievance Mechanism

Each project team needs to design a projectlevel GM tailored to the specific implementation modality of the project, identified risks and sociocultural context. It should delineate the issues considered eligible as grievances, the procedure for submitting and addressing complaints and establish the specific channels for receiving grievances The procedure should ensure that grievances are resolved in a timely and transparent manner. This includes specifying that if a complaint is not adequately addressed within a given timeframe at the project level (stage 1), the project team needs to escalate it to the IF Secretariate (stage 2) as shown in figure 6.

The requirement to establish a project-level GM applies to all projects, irrespective of their risk rating. However, projects rated as moderate or substantial risk and where ESMS standards are triggered will require the project-level mechanism to be more comprehensive. The ESMS Screening Report will inform the grantee on the level of detail of the project-level GM.

It is essential that the project-level GM is described in a language(s) understandable to the local community(s) within the project areas, is easily accessible to the public and is effectively communicated to all relevant stakeholders (including the local communities, and the workforce to be hired for the project) in a culturally appropriate manner prior to starting any project activity.

The project-level GM may build on existing mechanisms for providing feedback and submitting grievances. These should be mechanisms that communities are already familiar with and trust such as the use of an ombudsperson. Receiving feedback through these channels might help the grantee to act early and avoid concerns from building up. However, it needs to be clearly communicated that there is always the option to escalate the grievance to stage 2 or 3.

Protection from retaliation

In line with IUCN Whistleblowing and Antiretaliation Policy, the Innovation Facility does not tolerate any form of retaliation. Appropriate

measures are in place to protect complainants / whistleblowers from reprisal anyone who reports wrongdoings and makes a good faith report on any suspicions of ethical misconduct. Individuals, communities, or other project stakeholders who have reasonable grounds to believe that retaliation has been taken against them, or will be taken against them, for having engaged in a prohibited activity may seek redress by submitting a retaliation complaint to the Oversight Unit through the Whistleblowing Platform (stage 3). Pending the completion of an assessment of the retaliation complaint and without prejudice to its outcome, the Oversight Head may recommend interim measures or remedial action to protect the complainant while the review is pending. Please see the Whistleblowing policy for further details.

Registering and monitoring complaints

The grantee needs to record the complaint using a complaint register and acknowledges the receipt of the grievance in writing to the complainant. This should preferably happen within 3-5 working days, but no later than 10 days. A copy of the complaint register needs to be shared with the IF Secretariat upon registration (but no later than 5 working days upon the receipt of the complaint). If the topic is serious and/or might implicate reputational risks, the IF Secretariat is required to inform the IUCN Head of Oversight (stage 3).

The progress of addressing the individual complaints needs to be reported to the IF Secretariat as part of the biannual E&S monitoring reporting including detailed records of the agreed corrective actions. The IF Secretariat provides an independent review of unresolved complaints and may facilitate mediation and recommend corrective actions. It also ensures that all concerns are handled fairly and in line with IF's environmental and social standards.

Serious Incident Reporting

Whereas the project-level GM is an instrument to addressing grievances and complaints received from stakeholders, the serious incident reporting is a mechanism to be used by the grantee to inform the Innovation Facility Secretariat of all serious incidents caused by or related to their project. The purpose of reporting serious incidents is to ensure that appropriate responses and corrective actions are taken swiftly in order to minimize, mitigate and/or remedy the impacts.

A serious incident is an unplanned or uncontrolled event that has or might have an adverse effect on people (e.g., local community members, workforce to be engaged in the implementation of the project) or on the environment within the project's area of influence, as well as events that have adverse effects on the project or that give rise to liabilities or reputational risks that could jeopardize achievement of the project's objectives. Serious incidents could include the following (list not exclusive):

- Fatalities, serious injuries and accidents at work. This would cover any fatalities, serious injuries and other occurrences affecting project workers (including people employed or engaged through third parties or community workers employed or voluntarily engaged in a project). It would include deaths and serious injuries occurring during routine patrols or anti-poaching operations, kidnapping, murder and other forms of violence affecting project workers, accidents related to project transport or equipment, and loss of life or serious injuries caused by natural or other disasters.
- Fatalities, serious injuries and accidents affecting local communities and others. This would include serious injuries or deaths caused by project workers, including contractors, subcontractors and their workers, or local community workers or volunteers, including related to the conduct of law enforcement activities. It would also cover major accidents involving project vehicles or other forms of transport (boats, planes), equipment or materials provided by a project.
- Violations of human rights. This would cover human rights violations or public accusations of human rights violations attributed to project workers, contractors of community workers or volunteers.
- Sexual exploitation, sexual abuse, and sexual harassment (SEAH) in the context of the project and in particular cases attributed to project workers. Sexual Abuse' means the

Figure 7: Grievance Management Process



actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions; 'Sexual Exploitation' means any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to, threatening or profiting monetarily, socially, or politically from the sexual exploitation of another; 'Sexual Harassment' any unwelcome sexual advance, request for sexual favour, or other verbal, nonverbal, or physical conduct of a sexual nature, that interferes with work, is made a condition of employment, or creates an intimidating, hostile, or offensive environment in connection with the project, and, for the avoidance of doubt, Sexual Harassment may occur between

or amongst persons of different sexes or genders or of the same sex or gender, and may be initiated by any gender or sex;

- Any use of, and public accusations of the use of harmful child labour by the project, contractors or community workers and volunteers.
- Conflicts, disputes and disturbances leading to loss of life, violence or the risk of violence. This would include inter-community or inter-ethnic violence caused or exacerbated by project activities, and conflicts that have the potential for violence towards project personnel and/or local communities.

All serious incidents must be reported to the Innovation Facility within 48 hours of the incident occurring, using the serious incidents template provided in Annex 10. The Innovation Facility will then ensure that all serious incidents are communicated to KfW as soon as possible but no later than 3 working days from the date of receipt.

3.2.5. Appraisal of Safeguard Instruments and ESMS Clearance

The safeguard instruments are compulsory elements of the Full Proposal. The grantee is responsible for preparing the safeguard instruments but as mentioned above, the Innovation Facility will guide the grantee in their development. In order to ensure timely delivery of the Full Proposal and safeguard instruments, it is foreseen that the grantee sends in the risk assessment reports and final safeguard instruments to the Innovation Facility several weeks prior to the submission deadline of the Full Proposal, the exact date to be determined during the collaborative screening. This is to ensure sufficient time for feed-back in case adjustments of the safeguard instruments are needed.

Once the Full Proposal has been formally submitted, including the safeguard instruments, the Innovation Facility will proceed with the ESMS Clearance step. This involves checking whether:

- all requirements established by the ESMS Screening Report are met;
- the expected E&S impacts have been appropriately assessed and are clearly described and predicted in terms of likelihood and impact;
- the required safeguard instrument (ESMP, IPP etc.) are:

- in line with the requirements of the respective ESMS standards and demonstrate a suitable strategy for avoiding or mitigating environmental and social risks (e.g., whether they are feasible, adequate and effective)
- ii. specify timeline, responsibilities and provisions for monitoring and
- iii. are adequately resourced (staffing and other resources).

The detailed appraisal criteria are presented in the ESMS Clearance Form in Annex 3.

Full Proposals that do not have safeguard instruments that adequately address the identified risks or do not provide evidence of the operationalisation of the safeguard instruments (including lack or insufficient funding, lack of capacity/trained staff), cannot be considered for funding.

In exceptional cases the Innovation Facility Secretariat may agree to finalizing small gaps in ESMS compliance during the project's inception stage. For instance, it might be allowed to have only a provisional ESMP established upon submission of the Full Proposal, but this provisional ESMP must then be finalized within a defined time period within of Project implementation (Project inception stage) and in any case always before project activities are implemented. In this case a conditional ESMS Clearance is given and a final ESMS Clearance will be issued by Innovation Facility Secretariat once the gaps have been closed at the end of the inception phase. However, the Innovation Facility Secretariat reserves the right to stall further implementation and disbursement of funding or even suspend the project in case the conditions established by the conditional ESMS Clearance are not met by the required deadline and final ESMS clearance could not be issued.

Figure 8: Overview Standards and their respective Safeguard Instruments



3.3. Implementation and Monitoring of Environmental and Social Safeguards Standards

Once the project is approved and the grant agreement is signed, project implementation starts, and the grantee is responsible to ensure that the ESMP and other safeguard instruments are implemented according to the schedule established for each of these safeguard instruments, and that they are effective.

The purpose of E&S monitoring is to verify that the E&S risk management measures established in the ESMP, and the risk-specific safeguard instruments are being implemented (**progress**) and to judge whether the individual measures are effective in mitigating the respective risks (**effectiveness**).

It further tracks whether the other mandatory safeguards instruments are in place and implemented according to the established schedule and procedures, namely the Stakeholder Engagement Plan, project-level Grievance Mechanism, and Serious Incident Reporting process.

There are two levels of monitoring and reporting to be distinguished:

- Internal monitoring done by the Grantee / Project Management Unit (PMU)
- External monitoring (supervision) done by the Innovation Facility.

Internal monitoring requires a continuous collection of background data related to the implementation of the mitigation measures to substantiate the reporting on progress and on effectiveness. The ESMP is best monitored through an expanded version of the ESMP matrix by adding columns that allow entering (for each risk and the respective management measure) the following data:

- For mitigation measures where quantitative indicators demonstrating completion can be formulated:
 - · Indicator description
 - Target value
 - Level of completion
- For Mitigation measure where completion can only be measured through qualitative indicators
 - Narrative description of status of completion of measure
 - Indication on the extent to which the measure has been effective

In order to facilitate the external E&S monitoring by the Innovation Facility, the grantee submits a biannual E&S monitoring report detailing the progress and effectiveness of the mitigation measures and other safeguard instruments – as described above. External E&S monitoring will be based on the biannual E&S report but will be complemented though findings gathered as part of the supervision missions to the field sites – in a frequency commensurate to the risk level. For ensuring effective data gathering and consultations during the supervision mission, it is essential that the grantee submits the E&S monitoring report prior to any planned supervision mission.

Any serious incidents must be reported immediately to the Innovation Facility (within 48 hours). Provisions for monitoring and reporting grievances are explained in Chapter 3.2.4.2. The biannual E&S reports need to provide a complete list of serious incidences or grievances that occurred during the reporting period and any update on addressing and solving the issues.

The Innovation Facility Officer will prepare biannual reports to KfW, assessing the overall project performance against E&S requirements.

3.4. Project Closure

The Innovation Facility funds restoration activities and covers costs associated supporting the grantees to access the voluntary carbon market enabling projects to become investment ready. This means that the overall project has a much longer time horizon than the grant funding cycle as visualized in Figure 2. However, the Innovation Facility's responsibility ends with the funding cycle and so does the implementation and monitoring of the EMSP and the respective safeguard instruments. As part of the final report the grantee is asked judge the effectiveness of E&S safeguard instruments in avoiding or mitigating adverse environmental and social impacts. The purpose of the latter is to gather and document lessons learned and best practices that will inform future funding phase of the Innovation Facility as well as the broader safeguard community of practice. The grantee needs to ensure that all project commitments have been met and that any remaining risks are managed before the project funding cycle is officially closed or provisions are put in place to ensure relevant management action are put in place by the grantee after the project funding cycle closure.



4. Roles and Responsibilities

Table 3 summarizes the roles and responsibilities of each party involved in ESMS actions and decisions steps along the project cycle as outlined in this ESMS Manual.

Table 2: Roles and responsibilities for ESMS steps

ESMS steps	Applicable for	Responsible entity	Guidance or Template			
Concept Note stage						
Preparation of Concept Note: Safeguard specific baseline data	All Concept Notes	Applicant	Concept Note template			
Draft Stakeholder Analysis (high-level)	All Concept Notes	Applicant	Stakeholder Analysis Template (Annex 6)			
documentation stakeholder engagement during concept preparation	All Concept Notes	Applicant	Documentation Stakeholder Consultation template (Annex 7)			
Preliminary ESMS Screening	All Concept Notes	Innovation Facility	ESMS Screening& Clearance			
	Full Proposal stage					
Collaborative ESMS Screening	All projects	Innovation Facility and Applicant	ESMS Screening questionnaire			
ESMS Screening Report	All projects	Innovation Facility	ESMS Screening Report template			
Stakeholder Analysis (based on draft)	All projects	Applicant	Stakeholder Analysis template (Annex 6)			
Assessment of E&S risks	Moderate and substantial risk	Applicant	As per ESMS Screening Report			
Development of safeguard instruments	Moderate and substantial risk	Applicant	ESMP template and guidance (Annex 4) and as per ESMS Screening Report			
Documentation SH Engagement during Full Proposal Development	All projects	Applicant	Documentation Stakeholder Consultation template (Annex 7)			

Stakeholder Engagement Plan	All projects	Applicant	Stakeholder Engagement Plan (SEP) template (Annex 8)
Appraisal of safeguard instruments and ESMS Clearance	Moderate and substantial risk	Innovation Facility	ESMS Clearance template (Annex 3)
	Project implem	nentation stage	
Implement Stakeholder Engagement	All projects	Grantee	Project Stakeholder Engagement Plan
Safeguards training for projects staff	All projects	Grantee	
ESMP implementation, monitoring and reporting	Moderate and substantial risk	Grantee	ESMP template and guidance (Annex 4)
Monitor emerging risks	Low risk	Grantee	ESMP template and guidance (Annex 4)
External ESMP monitoring & supervision	Moderate and substantial risk	Innovation Facility	ESMP template and guidance (Annex)

Annexes

- Annex 1: Brief overview of IUCN ESMS Standards and Risk Areas and typical examples
- Annex 2: ESMS Screening Questionnaire Template
- Annex 3: ESMS Clearance Form
- Annex 4: ESMP Template
- Annex 5: ESCOP Template
- Annex 6: <u>Stakeholder Analysis Template</u>
- Annex 7: Documentation of Stakeholder Consultation Template
- Annex 8: Stakeholder Engagement Plan Template
- Annex 9: <u>Grievance Mechanism Template</u>
- Annex 10: Serious Incident Reporting Template
- Annex 11: ESMS Security and Human Rights Risk Questionnaire
- Annex 12: <u>Security Risk Assessment</u>

Annex 1: Brief overview of IUCN ESMS Standards and Risk Areas and typical examples

While projects funded by the Innovation Facility must adhere to the IUCN ESMS Policy Framework, but also to KfW's Sustainability Guidelines and the applicable national policies and legislation, this annex uses IUCN ESMS Standards to illustrate typical risks potentially encountered by projects funded by the Innovation Facility.

The IUCN ESMS is anchored around four ESMS standards that reflect key environmental and

social areas and issues that are at the heart of IUCN's conservation approach. The four standards are published as stand-alone documents describing their objectives, principles, applicability and requirements.² The tables below provide an overview of the standards, their main features and key requirements. However, this does not preclude the need to consult the stand-alone ESMS Standard documents for particular provisions.

	Standard on Involuntary Resettlement and Access Restrictions			
Applicability of standard	 Applies when conservation objectives of the project require changes in land and resource use potentially causing economic or livelihood losses of local communities Two scenarios: Projects require resettlement of peoples/communities (also referred to as physical displacement), e.g. as part of the creation of a strict nature reserve³ Projects requiring restrictions on access or use of land or natural resources (e.g. hunting, fuel wood, grazing) to revert land degradation caused by unsustainable use (also referred to as economic displacement) 			
Activities triggering standard (examples)	 New PA creation or extending the boundaries of existing PA Development of PA management plans (with use restrictions) Putting in place demarcation of PA boundaries Enhancing enforcement of existing regulations through training of PA staff, provision of equipment for detecting infringements 			
Principles	 Legal (including customary) rights of specific groups to specific resources in relevant areas must be recognised and respected No-net livelihood loss: livelihoods should be improved or at least restored (to pre-displacement levels) Mitigation measures should be in place before restrictions are enforced; if this is not realistic, restrictions need to be staged in line with effectiveness of mitigation 			
Requirements	 Try to minimize restrictions causing economic or livelihood losses of local communities If restrictions are unavoidable the following is required: Participatory process for identification of project affected people (PAPs), assessing impacts, definition of restrictions (trying to minimize impacts on people/vulnerable groups), development of mitigation measures, definition of clear eligibility criteria & entitlements Provisions for monitoring effectiveness of mitigation measures Grievance mechanism in place and accessible to PAPs 			

IUCN ESMS Standards

2 Available at: <u>www.iucn.org/esms</u>

3 Because activities that would result in involuntary resettlement (physical displacement) are excluded from being funded by the Innovation Facility, the requirements for this scenario are not further explained in this table.

Mitigation measures (examples)	 Examples of mitigation measures include: Alternative land or alternative resources - functional substitutes, e.g. Fuel wood: LPG stoves or fuel- efficient cooking stove to reduce consumption of wood Bushmeat hunting: promote raising of rodents (cane rats etc.) to provide protein sources Assistance for developing alternative livelihoods – new occupation and income sources (ecotourism, craft-making, seaweed farming etc.) Assistance for improving / intensifying land management for enhancing yields Support PAPs recognition as holders of customary rights to land Employment for PAPs through the project (e.g., ranger or eco-tourist guide) Health or education benefits or access to other resources of primary needs (e.g., water) Promote sustainable harvesting of natural resources and promote equitable benefit sharing ensuring that PAPs are able to access these benefits
Safeguard instruments	Process Framework that establishes the participatory process described above and results in the development of an Action Plan or Livelihood Restoration Plan

Standard on Indigenous Peoples		
Applicability of standard	 Applies when indigenous peoples are present in the proposed project area. have a collective attachment or rights to the area⁴. could be affected negatively by the project (even without being present in the project site). are present in or have a collective attachment to a proposed project area or could be negatively affected by the project (even without being present in or having a collective attachment to the project site). Note that the standard also applies where Indigenous Peoples are only present in small numbers (including instances where there is only one individual within the project area), i.e., there is <i>no de minimis</i> rule that applies for Indigenous Peoples within the requirements of the ESMS. The standard's applicability is determined through a case-by-case examination as part of the ESMS screening. Only one single criterion needs to be triggered for the standard to apply. Hence, if criteria i) or ii) apply, the standard is triggered regardless of whether impacts are negative or positive and regardless of the significance of any such impacts. The reason for this is that the standard not only aims at avoiding negative impacts but also at ensuring adequate consultation with Indigenous Peoples when designing the project so that their specific conditions, rights and needs are taken into account and opportunities are sought for providing culturally appropriate benefits. 	

⁴ This includes IPs, who during the lifetime of members of the community or group, have lost the collective attachment to distinct habitats or ancestral territories in the project area due to forced severance, conflict, government resettlement programs, dispossession of their land, natural disasters or incorporation of such territories into an urban area.

Definition/ Identification of IP	 For this standard, the term 'indigenous peoples' follows the definition or 'statement of coverage' contained in the ILO Convention 169 on Indigenous and Tribal Peoples in Independent Countries. Therefore, it includes: peoples who identify themselves as "indigenous" in strict sense; tribal peoples whose social, cultural, and economic conditions distinguish them from other sections of the society, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; traditional peoples not necessarily called indigenous or tribal but who share same characteristics (see above) and whose livelihoods are closely connected to ecosystems and their goods and services The application of this policy is thus not limited by the absence of the legal recognition of IPs by a state, nor by the legal status of the titling of indigenous lands, resources, and territories. Note that in the African context indigenous peoples are often referred to as "historically underserved traditional local communities".
Principles	 Indigenous peoples' right to self-determination is respected and supported Take specific conditions, rights and needs of IP into account in project planning and implementation Social and cultural identity, traditions and institutions are fully respected; Opportunities for culturally appropriate/gender inclusive benefits to IP, as agreed by them Avoid negative impacts on indigenous peoples
Requirements when triggered	 Establish process of consultation with indigenous communities so that their specific conditions, rights and needs are taken into account and opportunities are sought for providing culturally appropriate benefits Social impact assessment with meaningful consultation of legitimate representatives of indigenous groups Change of project design to avoid negative impacts or, if avoidance is not possible, measures for mitigating impacts FPIC protocol: Agreement on all project/activities that affect indigenous peoples following free, prior and informed consent Monitoring implementation of IPP with indigenous peoples' involvement Grievance Mechanism - culturally appropriate and accessible for indigenous communities
Safeguard instruments	 Indigenous People Plan (IPP) establishing the consultation process and culturally adequate mitigation measures Measures could be integrated in the ESMP, if measures are not substantive Indigenous People Planning Framework (IPPF) if sites / activities are not known during project preparation

Standard on Cultural Heritage		
Definition/ Identification of CH	 Cultural heritage include: Tangible cultural heritage Built objects or structures (buildings, monuments, or spaces) Movable objects (books, paintings, sculptures, religious relics, cultural costumes and textiles, jewellery, etc) Archaeological sites with structural remains of past human activity, incl. artifacts Intangible cultural heritage Cultural practices (language, rituals, festive events, performing arts, traditional craftmanship) Traditional knowledge and techniques, incl ecological knowledge Natural cultural heritage with historical, archaeological, cultural or spiritual value Sea/landscapes of high cultural/spiritual value Individual elements (trees, rivers, waterfalls etc considered sacred) Species (plants & animal species cultural and spiritual significance) 	
Activities triggering standard (examples)	 Physical damage of built cultural heritage or buried archaeological remains during construction of infrastructure Project workers taking tangible objects such as paintings, sculptures or textiles Ecotourism project with commercial use of cultural resources and featuring performing arts / dance leading to unequal sharing of benefits Ecotourism project affecting natural landscapes of high cultural and spiritual value through increased visitation Creation of a strict nature reserve with restriction of access impacting people's spiritual practices in a site considered sacred 	
Requirements when triggered	 ESIA or targeted assessment need to be guided by competent professionals with expertise on cultural resources and must involve rights-holders and relevant groups and communities, concerned government authorities, relevant civil society organisations, local experts and traditional knowledge holders Contracts for civil work to include procedure for accidental discovery of cultural heritage during project activities (Chance Find) Where access restrictions are required with negative impacts on people using cultural resources – refer to Standard on Involuntary Resettlement and Access Restrictions Projects involving a wider (especially commercial) use of community cultural resources to which communities have legal (including customary) rights, require FPIC from the right-holders 	
Safeguard instruments	Chance find procedure: see above	

Standard on Biodiversity Conservation and Sustainable Use of Natural Resources		
Applicability of standard	 Applies to projects that may have direct or indirect adverse impacts on biodiversity, ecosystem functions, or services. Being a conservation organization, it is evident that IUCN does not intentionally undertake or support projects that are expected to directly or indirectly cause negative impacts on biodiversity. However, IUCN recognises that because competition is increasing for natural resources and IUCN projects often address a complex array of multiple needs for natural resources, some needs might have to be given priority over others with the risk of causing negative impacts on some elements of biodiversity. Examples of risks issues triggering the standard: Potential to affect sensitive biodiversity in areas high biodiversity value (e.g., protected areas, areas managed as such by local communities etc) Risks of introducing (planned or unplanned) invasive alien species; Environmental risks or disturbance when restoring or modifying ecosystems, including projects impacting the hydrological cycle, taking the complexity of the ecological system and potential knock-on effects into account; Risks of unsustainable harvest of wild living natural resource Procurement of natural resource commodities leading to significant degradation of natural habitats elsewhere; Risks related to the use of pesticides. 	
Activities triggering standard (examples)	 Infrastructure development (access roads, buildings etc.) located in areas of high biodiversity value or activities that may cause disturbance to sensitive elements of biodiversity (e.g., ecotourism); Landscape restoration project (potentially) involving planned introduction of species outside the natural range (e.g., for reasons of climate adaptation) with the risk of species developing invasive characteristics; Aquaculture for alternative protein resources with potential knock-on effects – e.g., non-native fish that outcompete native species; Restoration projects impacting the hydrological cycle / water table; Promoting sustainable harvest or extraction of wild living resources (as livelihood support component) without appropriate institutional structures for verification or when disrupting or curtailing traditional sustainable natural resource management systems; Eradication of invasive alien species requiring use of pesticides. 	
Requirements	 If the screening has determined the potential for adverse impacts, an ESIA or targeted assessment must be undertaken to analyse identified risks, appropriately address uncertainty issues and develop an appropriate risk management strategy Critical to take into account negative impacts across different temporal scales, including long-term impacts. For predicting impacts, it is good practice to develop scenarios using models and techniques that are sufficiently robust, both technically and scientifically. The level of uncertainty should be indicated. Requirements are less prescriptive than other standards – depends on issues identified. 	

IUCN ESMS Risk Areas

In 2020, IUCN expanded the thematic coverage of its ESMS risk identification process by publishing the ESMS <u>Guidance Note on Assessment</u>, <u>Management and Monitoring of Environmental</u> <u>and Social Risks</u> that establishes seven risk areas that have gradually emerged as being specifically relevant for conservation projects. Adding these risk areas has further strengthened alignment of the IUCN ESMS Policy Framework with the International Finance Cooperation's (IFC) Performance Standard on Risk Management (PS1) and the World Bank's Assessment and Management of Environmental and Social Risks and Impacts (ESS1).

Adverse gender-related impacts

Despite IUCN's commitment to realizing gender equality and women empowerment following IUCN's Gender Equality and Women's Empowerment Policy, IUCN recognizes the risk that projects might inadvertently create, perpetuate or exacerbate gender inequalities or cause adverse gender-related impacts, both within the direct work environment of the project and in relation to communities with which the project works, including the risk of gender-based violence (GBV). Other risks included unequal access to resources or services provided by the project, reinforcing gender disparities in decisionmaking, or creating environments where sexual exploitation or harassment may occur. The focus of risk management in this risk area is on ensuring that projects proactively identify and mitigate such risks. This risk area links with the ESMS *Principle on Gender Equality and Women Empowerment*, which highlights a dual approach of managing risks while fostering gender equality and women empowerment.

Risks affecting vulnerable groups

Vulnerability in the context of project impacts is highly dependent on specific conditions and demographics (i.e.: ethnic minorities, internally displaced people, the elderly, children, or religious beliefs). These groups may be more susceptible to adverse effects due to their unique socioeconomic conditions, limited access to resources, or higher reliance on local environments. Addressing risks to vulnerable groups means recognizing their specific needs and ensuring that projects are designed to provide equitable access and support, preventing further disadvantages. This risk area links with the ESMS *Principle on Protecting the Needs of Vulnerable Groups*.

Risk of undermining human rights

This category focuses on the need to respect and uphold human rights throughout project activities, addressing both substantive and procedural

⁵ Available at https://portals.iucn.org/library/sites/library/files/documents/2018-030-En.pdf

⁶ Available at: https://iucn.org/sites/default/files/2022-05/esms-pest-management-planning-guidance-note_0.pdf

rights. Substantive rights relate to access to essential resources or services necessary for basic needs, such as economic, social, or cultural rights. Procedural rights emphasize the inclusion of all social groups in decision-making processes, ensuring that marginalized voices are not excluded. Additionally, projects must be sensitive to areas with a history of human rights abuses, like past forced evictions or land seizures, as such projects might risk perpetuating or exacerbating these injustices. This risk area links with the ESMS *Principle on Taking a Rights-based Approach*.

Community health, safety, and security risks

Projects can pose significant risks to community health and safety, including exposure to hazardous substances, increased risks of accidents, and the spread health risks. Typical activities that might lead to accidents include construction and/or renovation of small-scale civil works, such as the construction/ renovation of infrastructure for community use, protected areas management (e.g. watch towers, access roads) or ecotourism (visitor centres, etc), construction of wells, boreholes or water retention tanks, landing sites, among others. In the conservation space, project activities may exacerbate human-wildlife conflicts, or direct security risks can also arise from conflicts over resource restrictions or the actions of security personnel, such as forest guards. Effective planning and stakeholder engagement are crucial to mitigate these risks, ensuring the protection of communities and maintaining social stability throughout project implementation.

Labour and working conditions

This risk area centres on the rights and wellbeing of workers involved in project activities. It encompasses ensuring fair wages, safe working conditions, freedom from forced labor, and the prohibition of child labor. Projects must adhere to international labor standards, creating environments that respect workers' rights and promote safety (see section 2.2). This includes addressing occupational health and safety risks, such as specific hazards in the workplace

Resource efficiency, pollution, and GHG emissions

Here the focus is on potential environmental impacts associated with a project's use of resources, waste generation, and/or emissions. Key concerns include the release of pollutants, particularly hazardous chemicals and materials, both during routine operations and unforeseen circumstances. It emphasizes the importance of minimizing environmental harm through efficient resource use. Additionally, risk issues here cover the management of greenhouse gas (GHG) emissions to limit the project's carbon footprint, including the impacts of related activities beyond direct interventions, like those in the project's value chain.

Risk of project design failing to take climate change into account

This risk area involves ensuring that projects funded by the Innovation Facility do not inadvertently cause environmental or social risks by failing to take climate change into account. It includes analysing current and future trends in climate change and variability in the project area including climate sensitivity; whether any changes in biophysical conditions in the project area triggered by climate change are expected to impact people's livelihoods and whether some groups are more vulnerable than others (e.g., women or marginalized/vulnerable groups)? The analysis involves checking whether there is a risk that project activities potentially increase or aggravate the vulnerability of local communities to climate variability, temperature increases or climate hazards (e.g., floods, droughts, wildfires, landslides, cyclones, storm surges, etc). Project activities should also be screened on potentially increasing or aggravating the vulnerability of the local ecosystem to climate variability, temperature increases or climate hazards (e.g., floods, droughts, wildfires, landslides, cyclones, storm surges, etc.)





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