

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

Climate Bonds for Forests Program: Scaling up Private
Sector Financing for REDD+

October 8, 2019

Climate Bonds for Forests Program
Democratic Republic of Congo, Madagascar, and Peru
Environmental and Social Management Framework (ESMF)

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I. INTRODUCTION

1.1. BACKGROUND

The Climate Bonds for Forests Program: Scaling up Private Sector Financing for REDD+ (Program) aims to support the implementation of Reducing Emissions from Deforestation and Forest Degradation as well as conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) at subnational/national scales. This will facilitate countries to transition to compliance with United Nations Framework Convention on Climate Change (UNFCCC) requirements for REDD+.

The proposal builds on the work of the Forest Carbon Partnership Facility (FCPF) managed by the World Bank which supports forest countries to develop frameworks to implement REDD+ at jurisdictional scale (FCPF jurisdictions) with the potential to enter into commercial Emissions Reductions (ERs) transactions. The Program will alleviate financing barriers faced by implementors of REDD+ activities within FCPF jurisdictions by providing new sources of funding and supporting the incorporation of such activities into national/sub-national frameworks. The Program supports private sector-led REDD+ activities in target countries: Democratic Republic of Congo (DRC), Madagascar and Peru.

1.2. PURPOSE AND SCOPE OF THE ESMF

The objective of Program's Environmental and Social Management Framework (ESMF) is to ensure that negative environmental and social impacts are avoided or appropriately mitigated and compensated for. The ESMF is based on the IFC's Sustainability Policies and Standards (2012) which include (i) the Sustainability Framework; (ii) Environmental and Social Performance Standards; (iii) Environmental, Health and Safety Guidelines; (iv) Corporate Governance Framework; and, (v) Corporate Governance Methodology, in addition to IFC's Environmental and Social Procedures Manual (ESRP) as well as GCF safeguards policies, and in line with UNFCCC safeguards (Cancun, 2010). The key principle cutting across all these environmental and social management policies and procedures is to avoid, or at least minimize, and adequately mitigate any potential negative impacts to the environment and to communities by incorporating environmental and social aspects as an intrinsic part of project management and implementation. Project level environmental and social risks and impacts will be identified during the due diligence phase and monitored during the life of the investment to ensure that supported activities comply with the policies and principles laid out in the ESMF. It is expected that projects supported by the Climate Bonds for Forest Program will have limited and manageable impacts on the environment and local communities and benefits may be enhanced as a result of sustainable resource management, conservation and protection activities.

As this is a multi-country program, specific environmental and social risks and impacts will only be known once projects are selected under each component. However, IFC has in place a detailed and robust E&S due diligence and supervision procedures that will be applied for assessing project specific environmental and social risks and impacts and relevant mitigation measures including considering gender differences around risks, impact and mitigation. The Program's ESMF provides an overview of the key aspects of IFC's Sustainability Framework, existing environmental and social management policies and procedures that will guide the project level due

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diligence, the identification of environmental and social risks and impacts, assessment for any potential gaps in accordance with IFC's Performance Standards (PSs), and monitoring and supervision of projects implemented by each project level entity.

1.3. CLIMATE BONDS FOR FORESTS PROGRAM'S ENVIRONMENTAL AND SOCIAL STANDARDS AND PRINCIPLES

The environmental and social aspects of the Climate Bonds for Forests Program is based on the following standards and principles: (i) IFC Sustainability Framework (2012), including the Environmental and Social Performance Standards (PSs); (ii) the GCF Environmental and Social Safeguards (ESS) and (iii) in line with the UNFCCC country requirement for reporting how the safeguards are being addressed and respected by developing country Parties implementing REDD+ activities (according to paragraph 71 of decision 1/CP.16).

While there yet to be country legislation in specific relation to REDD+ activities, projects will need to comply with the applicable domestic legal framework, for example, regarding land, natural resources, environmental and social management, etc. The selection of projects and activities will be subject to the IFC Exclusion List, which includes:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

a. IFC Sustainability Framework

The Sustainability Framework articulates IFC's strategic commitment to sustainable development and is an integral part of IFC's approach to environmental and social risk management. The Sustainability Framework consists of:

1. The Policy on Environmental and Social Sustainability, which defines IFC's commitments to environmental and social sustainability
[\[https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/sustainability-policy/sustainability-policy\]](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/sustainability-policy/sustainability-policy).
2. The Performance Standards are directed towards project implementers in providing guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the project implementer in relation to project-level activities.
[\[https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/\]](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/).

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3. The Access to Information Policy, which articulates IFC's commitment to transparency and good governance in its operations, and outlines the Corporation's institutional disclosure obligations regarding its investments [<https://disclosures.ifc.org/#/accessInfoPolicy>].

Environmental and social aspects will be assessed as part of the project selection process to identify critical risks or red flags related to the ongoing REDD+ activities generating the carbon credits ready to be purchased that may involve aspects related to communities and indigenous peoples, biodiversity, land and natural resources, among others, in line with IFC Sustainability Framework (2012), including environmental and social Performance Standards. Each project will be assessed in accordance with each applicable IFC Performance Standard, namely:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

The eight PSs establish standards that the project implementer¹ is to meet throughout the life of the emissions purchase agreement with and/or an investment by IFC. Any potential gaps identified between the applicable PSs and the existing project's policies and procedures in relation to the ongoing REDD+ activities will be addressed through the specific action items outlined in the Environmental and Social Action Plan (ESAP), a key document that will be part of the Emissions Purchase Agreement and/or financial agreement for the project.

A Guidance Note accompanies each Performance Standard providing further guidance to the project implementer in process of identification and assessment of risks and impacts, as well as proposing relevant mitigation measures. The Performance Standards are available in English, Spanish, French, Portuguese and in other additional languages.

b. GCF Environmental and Social Policy

The Policy guides the integration of environmental and social issues into its decision-making and outcomes, and establishes the principles, requirements, and responsibilities to deliver on these commitments. It articulates how GCF integrates environmental and social considerations into its decision-making and operations to effectively manage environmental and social risks and impacts and improve outcomes. This policy presents the commitments of GCF and articulates the principles and standards to which GCF will hold itself accountable. Through this policy, GCF will require that all GCF-supported activities will commit to:

- Avoid, and where avoidance is impossible, mitigate adverse impacts to people and the environment;
- Enhance equitable access to development benefits; and,
- Give due consideration to vulnerable populations, groups, and individuals (including women, children, and people with disabilities, and people marginalized by virtue of their sexual orientation or gender identity), local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by GCF-financed activities.

¹ The term "project implementer" is used throughout the ESMF broadly to refer to the party responsible for implementing and operating the project that is being financed, or the recipient of the financing, depending on the project structure and type of financing.

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c. GFC Indigenous Peoples Policy

The Indigenous Peoples Policy provides a structure for ensuring that activities of GCF are developed and implemented in such a way that fosters full respect, promotion, and safeguarding of indigenous peoples so that they (a) benefit from GCF activities and projects in a culturally appropriate manner; and (b) do not suffer harm or adverse effects from the design and implementation of GCF financed activities. The policy aims to, among others, support and promote the welfare, positive contributions of indigenous peoples to climate change mitigation and adaptation, enable indigenous peoples present in, or with collective attachment to, the areas where GCF-financed activities are implemented (or activities proposed for GCF-financing will be implemented) to be fully informed and consulted about, and have opportunities to actively participate in, project design and the determination of project implementation arrangements, and provide a framework for GCF to anticipate and avoid any adverse impacts of activities on indigenous peoples' rights, interests and well-being, and when avoidance is not possible to minimize, mitigate and/or compensate appropriately and equitably for such impacts. Central to the policy is the requirement for projects to obtain free, prior and informed consent from indigenous peoples that a result of an iterative process, made on the basis of the indigenous peoples' own independent deliberations and decision-making process, based on adequate information to be provided in a timely manner, in a culturally appropriate manner, in a local language that is understood by them, and through a process of transparent and inclusive consultations, including with women and youth, and free of coercion or intimidation. The policy also requires the development of indigenous peoples plan (IPP) which outlines the actions to minimize and/or compensate for the adverse impacts and identify opportunities and actions to enhance the positive impacts of a project for indigenous peoples in a culturally appropriate manner. An Implementation Guidelines guide the GCF and its accredited entities in fulfilling the requirements of the Indigenous Peoples Policy.

d. UNFCCC Safeguards for REDD+ Activities

The following safeguards should be promoted and supported when implementing REDD+ activities:

1. That actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements;
2. Transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
3. Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, gender differences and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
4. The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities, in the actions referred to in paragraphs 70 and 72 of this decision;
5. That actions are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of this decision are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits, taking into account the need for sustainable livelihoods of indigenous peoples and local communities and their interdependence on forests in most countries, reflected in the United Nations Declaration on the Rights of Indigenous Peoples, as well as the International Mother Earth Day.
6. Actions to address the risks of reversals;
7. Actions to reduce displacement of emissions.



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Taking into account country contexts and respective capabilities, and recognizing national sovereignty and legislation, relevant international obligations and agreements, and respecting gender considerations, the safeguards information systems aims to provide transparent and consistent information that is accessible by all relevant stakeholders and updated on a regular basis.

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II. PROGRAM DESCRIPTION

2.1. THE CLIMATE BONDS FOR FORESTS PROGRAM

The Climate Bonds for Forests Program: Scaling up Private Sector Financing for REDD+ (Program) aims to support the implementation of Reducing Emissions from Deforestation and Forest Degradation as well as conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) at subnational/national scales. This will facilitate countries to transition to compliance with United Nations Framework Convention on Climate Change (UNFCCC) requirements for REDD+.

The proposal builds on the work of the Forest Carbon Partnership Facility (FCPF) managed by the World Bank which supports forest countries to develop frameworks to implement REDD+ at jurisdictional scale (FCPF jurisdictions) with the potential to enter into commercial emissions reduction (ERs) transactions. The Program will alleviate financing barriers faced by implementors of REDD+ activities within FCPF jurisdictions by providing new sources of funding and supporting the incorporation of such activities into national/sub-national frameworks. The Program supports private sector-led REDD+ activities in target countries: Democratic Republic of Congo (DRC), Madagascar and Peru.

Program elements will include the following components:

1. **REDD+ Debt Finance Pilot (RDP):** The RDP will provide upfront funding in the form of loans to private sector entities to support their activities and ER production within FCPF jurisdictions. A gender gap analysis will be included in the due diligence and appraisal process for any of the private sector partners. Based on the analysis, gender gaps in the operations of private sector partners will be addressed and measured.
2. **Liquidity Support Facility (LSF) and associated agreements:** These elements will work together to support the sale of ERs from activity implementers to international investors. They include the purchase by IFC of ERs from activity implementers, the marketing of ERs by an “Intermediary” under a Carbon Marketing Agreement with IFC, and the LSF that will provide some price support for ERs sold by the Intermediary to investors by assuming some ER price risk in exchange for a share of the upside. Together these elements will advance the sophistication of engagement with private sector players, and position REDD+ ER markets for future success. A gender gap analysis will be conducted during the appraisal process for any of the investors and financial intermediaries. Based on the analysis, gender gaps in the operations of investors and intermediaries will be addressed and measured.
3. **Capacity Building:** The capacity building activities will support development of ‘market readiness’ elements to enable private sector transactions for jurisdictional ERs within the FCPF jurisdictions. This may include establishment of registry systems, benefit sharing mechanisms, and accounting mechanisms to enable attribution of ERs to private-sector REDD+ activities within jurisdictional frameworks, and additional support for compliance with UNFCCC requirements for REDD+.

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2.2. PROGRAM LEVEL IMPLEMENTATION ARRANGEMENTS

This Program will be managed by IFC with the specific involvement of the following departments—Climate Business Department (CBD), Blended Finance Department (CBF), Treasury Department (CTC), Legal Department (CLE), Manufacturing, Agribusiness & Services Department (CMB), and the Environmental and Social Department (CES) and the Gender Unit. The Climate Business Department will coordinate the overall effort for the Program. The Blended Finance Department will bear the fiduciary responsibility for managing GCF funds and serve as the focal point for communication with GCF.

All of IFC’s investment projects require final Management approval before being presented to IFC’s Board of Directors and reaching financial close. Management approval is conducted at the Investment Review Meeting (IRM), for which IFC investment staff prepare rigorous documentation that contains due diligence information on the prospective project (including, when relevant to the project, on-lending and/or blending information), E&S risks, climate change outcomes and impacts, gender impacts as well as other development impacts of the project. Moreover, an extensive assessment of project risks and corresponding mitigation strategies are also included.

All projects will be assessed in terms of risks and impacts to the environment and communities in line with the established procedures for environmental categorization and those determined to be Category A will not be financed. Based on the due diligence process and identifying gaps in relation to the requirements of the PSs, IFC will prepare an Environmental and Social Action Plan (ESAP) detailing the specific procedures, plans and/or issues that will need to be addressed as part of the ER purchase agreement. After project approval, subsequent supervision reports continue to monitor these risks and the mitigation actions (please see details below). At the project level, the implementer will be responsible for conducting its ongoing activities in compliance with the IFC PSs, address any potential environmental and social gaps (such as stakeholder engagement plan, hire an E&S staff, develop an adequate environmental and social management system if such does not exist, among others) identified by IFC during the due diligence process, and ensure that there is adequate environmental and social capacity to undertake the project activities (please see details below).

IFC both measures and monitors impacts for its climate change projects. This monitoring is done through project supervision that is regularly performed by IFC project staff and captured in standard project monitoring and supervision reports. Climate change outcomes and impacts, such as GHG mitigation, hectares of land sustainably managed, MWh of clean energy produced, etc. are also captured in IFC’s Results Measurement System. IFC monitors gender-flagged projects both on the investment and the advisory side and IFC has a corporate scorecard target of at least 35-40% of all new advisory projects to include a gender component.

For concessional finance-funded projects, IFC adds an additional layer of governance and diligence. A separate senior Corporate Committee (the Blended Finance Committee) and/or the Blended Finance Director reviews and, if acceptable, approves the use structure, and terms of the concessional investments. A separate investment team within the Blended Finance Department oversees the structuring of concessional funds within a blended package. IFC’s donor-supported investments also abide to the “Enhanced Principles for Blended Concessional Finance for Private Sector Projects,” developed by the Development Finance Institutions Working Group, chaired by IFC, that has been adopted by 23 DFIs working on private sector projects. These principles are as follows: Additionality and Economic Rationale for Using Blended Concessional Finance; Crowding-in and Minimum Concessional; Commercial Sustainability; Reinforcing Markets; and Promoting High Standards. IFC’s blending approach was reviewed at the time of GCF accreditation. (Please refer to Section 5.3:

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http://www.greenclimate.fund/documents/20182/184476/GCF_B.12_07_-_Consideration_of_Accreditation_Proposals.pdf/38da0a5c-c9aa-45c2-be4b-13c360193a5b?version=1.1).

Following financial commitment, IFC follows a robust portfolio management system for all its projects, including blended finance investments. On the project level, IFC actively monitors compliance with investment agreements, visits sites to evaluate project status, and helps identify solutions to address potential problems. IFC systematically tracks environmental and social performance, and measures financial and development performance and results.

III. MANAGEMENT OF ENVIRONMENTAL RISKS AND IMPACTS

3.1. CONTEXT

The Democratic Republic of Congo: DRC is one of the world's largest rainforest consisting of approximately 150 million hectares, which represents up to 70% of the country's land cover and 7% of the world's total tropical forest area. DRC's forest provide livelihoods for communities, food security, energy consumption, and the provision of ecosystem services of importance including carbon sequestration and biodiversity. Through the FCPF Carbon Fund, DRC has selected the Mai-Ndombe province to pilot results-based payments for REDD+ on a large scale. The province covers an area of 12.3 million hectares, out of which 9.8 million hectares are forests. The direct drivers of deforestation and forest degradation mirror those identified at the national level: slash-and burn agriculture, fuelwood production, uncontrolled bush fires, small-scale or artisanal logging and industrial logging. The underlying causes for these drivers are population growth, poverty, the absence of economic and technical alternatives, poor management of natural resources, and unclear land tenure. The pressure on the forest in Mai-Ndombe is high because of the increasing demand for agricultural and wood products in Kinshasa.

Within this context, key country environmental and social risks in the Mai-Ndombe province in relation to REDD+ activities relate to: (i) unclear land tenure and lack of recognition of customary rights; (ii) land degradation and loss of biodiversity; (iii) inadequate informed consultation and participation of indigenous peoples communities (for example, the Batwa) and local communities in relation to forest resources; (iv) inadequate labor conditions; (v) inequity issues regarding the distribution of the proceeds from the carbon credit purchases; (vi) restrictions of forests use and management affecting community livelihood without adequate mitigation. These are critical issues that the due diligence process at the project level will need to assess in detail in order to understand how these were managed.

Peru: Forest and grasslands loss through conversion to agricultural use remains the main source of GHG emissions in Peru in relation to the expansion of agricultural land use (principally for coffee, cocoa, and oil palm). Other contributors include legal and illegal logging, urban development, expansion of communication infrastructure, mining, oil and gas exploration. These drivers are exacerbated by Peru's unclear land tenure and unclear land rights, which could lead to potential land tenure conflicts. Additional potential risks to consider in relation to REDD+ activities are: (i) limited or inadequate process of the informed consultation and participation of indigenous peoples and campesino communities in the implementation of REDD+ activities; (ii) provision of inadequate livelihood alternatives for potential restrictions of forest conservation and sustainable resource management

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practices to enhance carbon stocks; (iii) inequity issues regarding the distribution of proceeds from the sales of carbon credits; and, (iv) unclear land rights in order to secure project benefits.

Madagascar: Madagascar's forestland was estimated to cover 15.88% of the nation's surface area in 2009. This acreage has continued to diminish every year. The annual deforestation rate remains a concern, estimated at around 0.53% a year between 2000 and 2005. The main cause of the country's deforestation is small-scale agriculture, energy production, mining (artisanal and illegal), forest harvesting for firewood and charcoal and livestock activities. The underlying drivers are population growth and demographic pressures, poverty and a reliance on economic activities fostering deforestation and forest degradation, a reliance on traditional agriculture systems, weak natural resource management and governance, incoherent policies and institutions and unclear land tenure.

In Madagascar, the interdependence between natural resources and community livelihood is significant as local communities depend on the country's natural resources to ensure basic livelihoods. There is significant poverty in rural areas where approximately 80 percent of the population lives. In this context, the key environmental and social risks include: (i) lack of recognition of customary rights of communities; (ii) land use change potentially affecting communities' livelihood without providing adequate alternatives; (iii) inadequate involvement and participation of communities in REDD+ activities; (iv) inequity issues regarding the distribution of proceeds from the sales of carbon credits.

3.2. ENVIRONMENTAL CATEGORIZATION

IFC identifies the environmental and social (E&S) risks and potential impacts associated with the project activities only once the use of proceeds, asset type/status, investment instrument and nature of asset control by the project implementer are understood. Screening and due diligence process depend primarily on what is known about the: (i) physical E&S footprint of the project/activity(ies); (ii) ongoing REDD+ activity(ies); and (iii) risk context of the REDD+ activity(ies) in the area identified by the country's ER Program. These key factors guide further assessment of the capacity, maturity, and reliability of the project implementer's E&S management system, risk management procedures and staffing capacity to enable meeting the requirements under the IFC Performance Standards (PSs) and GCF's ESS.

Under the Climate Bonds for Forests Program, each project is subject to IFC's appraisal (due diligence) and are assigned project level environmental category (A, B or C). It is worth noting that this is a results-based payment and as such, projects will have already implemented or will be in the midst of undertaking REDD+ activities for which IFC will assess environmental and social aspects retrospectively.

The E&S categories are defined as follows:

- Category A: activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Category B: activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- Category C: activities with minimal or no adverse environmental or social risks and/or impacts.

IFC will screen out activities/projects falling under category A. For projects under category B and C, IFC's due diligence (summarized later in this section) will analyze key E&S risks and impacts (including environmental, social,

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labor, health, safety, and security) as well as the proposed mitigation measures against the applicable local laws and regulations, GCF ESS standards and the IFC Performance Standards. In making categorization decisions, the IFC E&S department will take into consideration the following characteristics of severity of impact(s): (a) major and permanent; (b) major but temporary; (c) minor but permanent; (d) minor but temporary; (e) no impact; and the following characteristics of probability of occurrence: (a) common occurrence; (b) known to occur; (c) could occur; (d) not expected to occur; (e) extremely unlikely to occur (please see IFC's Interpretation Note on Environmental and Social Categorization:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_interpretationnote-categorization).

As previously described, the proposed program consists of the purchase of ERs as well as potential loans to provide private sector REDD+ activity implementers with an additional revenue stream and operational support for related activities. The Program will target private sector REDD+ implementation activities (including projects, supply-chain actors, etc.) located in DRC, Madagascar, and Peru that have title to the ERs (or will directly benefit from ER sales). Since this is a multi-country, multi-sector program, and specific projects have not yet been identified at this stage. Environmental and social risk categories will be determined individually to prospective projects, evaluated through an initial screening process, followed by a more detailed due diligence to identify potential environmental and social (E&S) risks and impacts and their legibility according to IFC's E&S conditions. The due diligence will be undertaken in the same depth and scope for both B and C categories of Projects/activities. This enables the IFC to obtain all adequate information to confirm the project E&S risk category and recommend appropriate measures for Project implementers. Implementers. The Due diligence process is outlined in the following section of this ESMF.

3.3. PROGRAM LEVEL IMPLEMENTATION OF THE ESM: ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

Role of the REDD+ Implementers

IFC expects project implementers to manage E&S risks and impacts of their projects. This entails project implementer's assessment of these risks and impacts of its ongoing REDD+ activities, and implementation of existing management systems if such exists, and relevant management plans to meet the requirements of the Performance Standards. An important component of the project implementer's E&S performance is its past and ongoing engagement with the affected communities through the life of IFC's engagement in the project.

The key environmental and social responsibilities of the project implementers include:

- Develop an environmental and social management system and relevant plans, if such do not exist or are partially developed, to adequately manage the E&S risks and impacts of the ongoing REDD+ activities. These systems must include risk identification and management procedures, in line with IFC and GCF requirements, for all applicable E&S risks, including risks related to labor and working conditions, resource use and pollution, community health and safety, land acquisition, involuntary resettlements, biodiversity, indigenous peoples and cultural heritage;
- Develop adequate mechanisms for stakeholder engagement, grievance management and monitoring, if such does not exist;
- Put in place adequate E&S capacity to manage the environmental and social risks and impacts of the REDD+ activities;
- Comply with the country's legislation and IFC Performance Standards' requirements;

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- Implement the action items specified in the Environmental and Social Action Plan (ESAP)
- Submit environmental and social monitoring reports to IFC

Role of the IFC in relation to E&S aspects

The IFC E&S Specialist:

The IFC E&S Specialist identifies and assesses each projects’ E&S risk and impacts in order to help project implementers define gender sensitive and adequate E&S management plans and promote sustainable outcomes. Specifically, this role includes:

- Conduct due diligence of the proposed investment activity;
- Assist the project implementer in developing measures to avoid, minimize, mitigate, and where residual impacts remain, compensate/offset for E&S impacts consistent with the PSs;
- Categorize the project to specify IFC’s institutional requirements to disclose project specific information to the public;
- Identify opportunities to improve E&S outcomes for men and women;
Assess risks of gender-based violence associated with the project and asks project implementer to implement appropriate prevention and response mechanisms
- Monitor and document the project implementer’s E&S performance throughout the life of IFC’s investment; and,
- Disclose information about its institutional and investment activities in accordance with the Access to Information Policy (see Sustainability Framework).

The IFC Regional Team Leaders (RTL) and Sector Leads (SL):

RTL and SL have the role to ensure quality and consistency of the project processing and on providing guidance on technical issues and operational performance. There is some desirable level of overlap between the two functions (as it provides robustness to our E&S products), but most often SL have a leading role during the appraisal of projects while RTL have the main role during the project supervision phase.

Table 1: Key responsibilities for Program’s implementation

	IFC	Project Implementer
Screening & Project Selection	Review available project documentation and make determination if to proceed, including identify any potential red flags; and confirm risk category of project.	Submit project documentation to IFC in relation to existing policies and procedures, environmental and social capacity, documentation in relation to engagement with communities (if relevant) and in relation to the project’s land for example. Any outstanding critical issues in relation to the environment, communities and land will need to be brought forward, including any outstanding commitments.

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Due Diligence & Assessment	Review additional project documentation; conduct site visits and engagement with communities; draft the ESRS (Environmental and Social Review Summary) and ESAP (Environmental and Social Action Plan) to meet the IFC PSs requirements.	Provide additional information and documentation to IFC in relation to the process of REDD+ activities undertaken up to date, including any benefit sharing arrangements, land ownership, land use and/or accords with relevant communities; review and confirm agreement with contents in the Draft ESRS (environmental and social review summary) and ESAP, including budget allocation to implement the additional measures required.
Disclosure	Public disclosure of ESRS (environmental and social review summary) and ESAP (environmental and social action plan) for each project, including relevant E&S documents such as ESIA, ESMP, IPP, SEP, if relevant.	Link publicly disclosed ESRS and ESAP to the company's website.
Review & Approval	IFC Board approval of the project; integration of ESAP into legal and/or purchase agreements. At this stage specific conditions can be included in the legal agreement.	Review the terms and conditions of the legal and/or purchase agreement, including the ESAP action items.
Implementation	Guide and monitor the project implementer on the specific action items in the ESAP.	Implement the action items laid out in the ESAP as well as conducting REDD+ activities in accordance with the IFC PSs.
Monitoring & Supervision	Review AMRs (annual monitoring reports) submitted by the project implementer and other requested reports; conduct supervision site visits.	Submit AMRs and other requested reports to IFC; address raised E&S concerns.

3.4. KEY PROJECT SELECTION CRITERIA

To meet the program objectives, the following types of projects will not be financed:

- Projects that involve the significant conversion or degradation of critical natural habitats and forest resources;
- Projects that adversely affect physical cultural resources;
- Projects involving the use of pesticides or agrochemicals;
- Projects requiring large land acquisition or physical relocation and economic displacement of local communities and/or indigenous peoples; and,

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- Projects affecting indigenous peoples without having obtained their free, prior and informed consent.

Qualified private sector project developers will be selected through IFC’s due diligence on their creditworthiness, integrity, capacity, environmental and social management performance, and experience in developing REDD+ projects. IFC will select REDD+ activities within the scope of the country’s ER Program supported by the FCPF Carbon Fund. Government-led activities under the ER Program are to comply with World Bank safeguards, and private sector – led activities are to comply with IFC Performance Standards, as the set of E&S standards for the World Bank Group. REDD+ Activities must comply with applicable national law.

3.5. ASSESSING PROJECT LEVEL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

The range of environmental and social risks anticipated in the projects under this program will be assessed against the eight Performance Standards, as outlined in the matrix below, in line with GCF Environment and Social Policy as well as the GCF Indigenous Peoples Policy requirements, all of which require adequate assessment of selected projects under this program with the objective of avoiding, minimizing and mitigating impacts. The assessment process is summarized in the matrix below with the understanding that REDD+ activities will already be implemented and the credit purchase payments will be made based on results:

Performance Standard	Risk	Assessment
1. Assessment and Management of Environmental and Social Risks and Impacts of ongoing REDD+ activities	Identification of risks and impacts	Effectiveness of company policies and procedures to understand and manage E&S risks and impacts related to REDD+ activities.
	Organizational capacity	Adequacy/competency of the resources the organization devotes to E&S management.
	Monitoring and review	Adequacy of the monitoring actions taken to verify that E&S risk mitigation/management activities are performed appropriately.
	Stakeholder Engagement and grievance mechanism	Adequacy of information dissemination, disclosure, consultation and participation processes, including grievance mechanisms.
2. Labor and Working Conditions	Human Resources policies and procedures	Working conditions consistent with national law establishing fair treatment, non-discrimination, non-harassment and equal opportunity of workers.
	Management of worker relationship	Effective worker-management relationship procedures and practices that respect worker’s rights.
	Protecting the workforce	Identifying and protecting various categories of workers, including vulnerable workers (e.g. children, women, migrants, etc.) and avoiding forced labor.
	Occupational Health and Safety	Providing and monitoring healthy and safe working conditions for all workers assessing gender differences.
3. Resource Efficiency	Pollution emissions	Control of air and water pollutant emissions in a manner that protects human health and the environment.
	Resource efficiency	Measures to reduce the consumption of energy and water, as well as other resources and material inputs.
	Waste and hazardous materials management	Management of wastes and hazardous materials ensuring negligible impact on people and the environment.
4. Community Health, Safety, and Security	Community health and safety	Adequate and gender sensitive management of community exposure to increased risks and adverse impacts related to worksite accidents, hazardous materials, spread of diseases.

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	Security	Adequate and gender sensitive management of security response and interaction with communities
	Emergency preparedness and response	Responding to accidental and emergency situations to prevent harm to workers, communities and the environment.
5. Land Acquisition and Involuntary Resettlement	Displacement and compensation	Adequate and gender sensitive management of economic and physical displacement and compensation for the loss.
	Livelihood Restoration	Effective management of socio-economic impacts and restoration of livelihood.
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	Protection and Conservation of Biodiversity	Effective mitigation measures to minimize the project footprint on sensitive environmental habitats and/or legally protected areas.
	Sustainable management of ecosystem services	Adequate management/mitigation of ecosystem services that are priority to communities and consistent with biodiversity conservation.
7. Indigenous Peoples	Loss of access to land and natural resources and threats to culture of vulnerable groups	Culturally appropriate and gender sensitive mitigation measures and development opportunities for loss or exploitation of indigenous people’s lands and/or access to natural and cultural resources.
8. Cultural Heritage	Threats to cultural heritage and related benefits sharing	Protection and management of cultural heritage and sacred/cultural sites from the adverse impacts of project activities.

3.6. THE PROJECT LEVEL ENVIRONMENTAL AND SOCIAL DUE DILIGENCE, ASSESSMENT AND MONITORING PROCESS

The environmental and social due diligence shall be conducted in accordance with IFC’s Environmental and Social Review Procedures Manual (ESRP, 2016). The ESRP Manual provides a structured approach to environmental and social due diligence, project monitoring and documentation of project implementer environmental and social performance, with the IFC’s Performance Standards (PS) and the GCF Environmental and Social Policy and Indigenous Peoples Policy requirements being the benchmarks for performance outcome evaluation throughout the life of any IFC-supported Project. The ESRP Manual can be found at https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/ES-Proc-Manual/.

The environmental and social due diligence, assessment and monitoring process will be conducted for each selected project under the program as follows:

- a) *Project Selection: Initial review, identification of potential risks and impacts and concept review meeting (Project Screening)*

Once a prospective new project is being considered by the Program team, the E&S specialist shall request and review available information necessary to understand the extent of the project activity. Central to this understanding is information surrounding the intended use of IFC proceeds as per components 1 (results-based payment), component 2 (debt facility), and component 3 (capacity building) and the nature of the existing assets at the company level in relation to the use of IFC proceeds. Equally important is an understanding of the level of management control the company has over the project REDD+ activities and relevant involvement of communities and other stakeholders as partners or beneficiaries of such activities.

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Once the use of proceeds, asset type/status, investment instrument and nature of asset control by the company are understood, the E&S specialist shall identify the environmental and social risks and potential impacts that might be associated with the project activities that are already been implemented. At this stage of the due diligence process, risk and impact identification will be done retrospectively as this is a results-based payment. Existing management systems, plans and procedures will be assessed against the eight PSs in order to understand the potential gaps for which the project implementer will need to address to meet compliance. At this stage, potential red flags may be identified in relation to land tenure and land rights, degree of involvement of communities (if relevant), benefit sharing arrangements, among others, to understand if these can be manageable and adequate mitigation measures can be put in place. An understanding of how REDD+ activities were conducted in order to deliver the carbon credits will be acquired.

Under the Climate Bonds for Forests Program, each project is subject to IFC's appraisal (due diligence) and environmental category B will be confirmed while screening out potential category A projects.

b) Concept Review Meeting (CRM) and Pre-Appraisal.

The E&S specialist shall participate in the CRM and provide input based upon the initial risk and impact identification. The E&S specialist shall discuss the provisional E&S categorization, key E&S risks, gender specific risks, the proposed conceptual approach to the E&S scope of review should the project be approved for appraisal, and any other potentially significant E&S issues or red flags.

c) Project Appraisal (Detailed Due Diligence): Project document review and Site/Project implementer Assessment

Document Review: If the project is approved for appraisal, the E&S specialist shall request and review in detail available project information before conducting site visits and meetings with project stakeholders. The main documents to be provided by the implementers of review include, but not limited to:

- Available ESIA Reports, including specialist study reports, in case of projects;
- Available and existing RAPs, LRPs, or other land acquisition/compensation documents related to the projects to be financed if relevant;
- Relevant E&S permits and licenses for the projects to be supported;
- Implementer's existing environmental and social management policies, procedures and associated audit reports;
- Implementer's records on health and safety records, labor and working conditions, community and labor grievance management, resource use/consumption and emissions;

Once the above are obtained, the E&S specialist will conduct a detail review and will engage with the Implementer to understand the following if such exist (fully or partially) in relation to REDD+ activities:

- Project implementer's environmental and social management policies and performance objectives;
- Project implementer's plans and procedures for identifying and assessing the environmental and social risks and impacts;
- Project implementer's E&S management programs and associated implementation documentation/evidence;
- Organizational structure with sufficient resources and capacity required to implement the E&S management programs;
- Project implementer's E&S performance monitoring reports;

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- Project implementer’s labour policies, and related risks to vulnerable groups including women, children and other identified marginalized groups; and
- Project implementer’s processes for ongoing stakeholder engagement and on-going disclosure of information.

Site/Project Implementer Assessment. Each project shall be subject to an appraisal mission as part of the E&S due diligence phase and an appraisal mission report shall be prepared. The appraisal mission report shall include project description and the findings of different appraisal activities, including:

- On-site inspections of:
 - One or more project locations and/or operating facilities;
 - Associated facilities, and/or supply chain operations; and
 - Third-party operations and activities;
- Gender sensitive interviews with company and contractors’ staff, representatives of affected communities;
- Key stakeholders, and local authorities;
- Gathering and review of additional information that may be needed to complete E&S appraisal;
- Close-out meetings with project implementer representatives to discuss key issues, preliminary findings and likely improvement tasks and items that will be included in the Environmental and Social Action Plan (ESAP) and gaps that will need to be closed prior to ESRS release, Board, commitment and/or disbursement; and,
- A brief description of next steps and timing.

d) *Post-Appraisal (Due Diligence) Analysis*

After the joint due diligence by the project team, the E&S specialist shall complete the environmental and social review process by :

- Collation of project E&S information;
- Analysis of PS/ GCF Environmental and Social Policy and Indigenous Peoples Policy Compliance;
- Confirmation of E&S Categorization;
- Drafting of the Project environmental and social review summary and recommended management measures based on existing policies and procedures as well as on the understanding of current practices in relation to REDD+ activities;
- Drafting of the Project Environmental and Social Action Plan (ESAP);

Preparing the Environmental and Social Review Summary (ESRS). The IFC E&S specialist shall prepare a draft ESRS (Environmental and Social Review Summary) summarizing IFC’s E&S appraisal findings, a succinct review and assessment of the E&S impacts associated with the ongoing REDD+ activities and how they are or will be mitigated by the project going forward based on past practices. The E&S specialist shall also prepare a draft ESAP (Environmental and Social Action Plan) identifying the actions required by the project implementer in order to meet the PSs. The ESAP shall be attached to the carbon credit purchase agreement and/or financial agreement and is a legally binding requirement. Only actions requiring completion after Board approval, commitment, or first disbursement shall be included in the ESAP.

ICP (Informed Consultation and Participation). For projects where the project implementer needs to carry out an Informed Consultation and Participation process, then IFC will make a retrospective assessment of the scope and quality of project implementer’s engagement with affected communities, including indigenous peoples as per IFC PS1. Where ICP has not been adequately done, IFC will support the project implementer in finding appropriate solutions to the risk areas before investment. In terms of *BCS (Broad Community Support) or FPIC (Free, Prior and*

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Informed Consent) from indigenous peoples, it is highly unlikely these requirements will apply as these types of impacts will be avoided. However, in the unlikely event that they are needed, they would consist of defining what would constitute consent from affected communities of indigenous peoples and the agreed process between the project implementer and the affected communities. The FPIC process builds upon the requirements for ICP (which include requirements for free, prior and informed consultation and participation) and additionally requires Good Faith Negotiation (GFN) between the client and affected communities of indigenous peoples. GFN involves on the part of all parties: (i) willingness to engage in a process and availability to meet at reasonable times and frequency; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; (iv) use of mutually acceptable procedures for negotiation; (v) willingness to change initial position and modify offers where possible; and (vi) provision of sufficient time for decision making. The outcome, where the GFN process is successful, is an agreement and evidence thereof.

The E&S specialist shall provide the draft ESRS and ESAP to the Sector Lead for review and comments. After internal review and discussion, the ESRS and ESAP shall be sent to the project implementer for review and approval. A disclosure letter for the ESRS and ESAP shall be sent along for project implementer confirmation.

E&S gaps identified during the due diligence process shall be specified in the environmental and social action plan (ESAP) for the REDD+ implementer to address. Potential gaps can include the development of a stakeholder engagement plan (SEP) if such does not exist or is considered inadequate in meeting the IFC requirements. Other examples can include actions to conduct further informed consultation and participation activities in relation to the terms and conditions of the ER purchase agreement, developing additional management plans and put in place adequate E&S capacity for managing impacts as a result of the REDD+ activities. The ESAP will be part of the purchasing agreement with the IFC and part of the financing agreement (as per RDP) and, thus a binding commitment to fulfill the time-bound action items by the REDD+ implementer.

In many cases the appraisal identifies project implementer's actions that are needed to close some defined E&S gaps before investment milestones such as Board Approval, commitment or first disbursement. These actions are to be agreed with the IFC and the project implementer in advance and documented elsewhere such as in a covenant in the loan agreement, in a side letter, in a share retention agreement, etc.

Complementary actions that could be applied through the ESAP depend on the outcome of the detailed field E&S due diligence (i.e. whether a compliance gap was identified requiring specific mitigation measures) may include development of plans and procedures to prevent and mitigate certain E&S risks and impacts including, for example:

- Development and implementation of a project or entity level environmental and social management system (ESMS). An example of an ESMS that IFC would ask the implementer to apply as guidance is available on the IFC website (refer to ESMS Tool kit).
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_esms-general
- Development and implementation of Resettlement Action Plan and Livelihood Restoration Plans (see Annex 4 for a sample terms of reference / framework); and
- Development and implementation of an Indigenous Peoples Development Plan (see Annex 5 for a sample terms of reference / framework).

e) *Project Disclosure and Commitment*

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ESRS, ESAP & SII Approval Letter and Disclosure. The E&S specialist shall be responsible for preparing the approval letter for disclosure of the ESRS and ESAP to be signed by the project implementer. Once agreement is reached with the project implementer on the ESRS and ESAP, the project implementer will complete the ESRS and ESAP Approval Letter and return the letter signed to IFC. The ESRS and ESAP shall then be disclosed to the public.

Disclosure Duration and Public Interest: The ESRS and ESAP, and supporting documents must be disclosed in the IFC website prior to IFC's Board of Directors/Management consideration of the investment as follows:

- Sixty (60) days for Category A projects; and
- Thirty (30) days for Category B and C projects.

Annual Monitoring Report (AMR). As part of the commitment documentation, the E&S specialist shall be responsible for preparing and proposing reporting formats to the project implementer to help IFC's understanding of project E&S performance, compliance with ESAP, compliance with the applicable PS and general and sector-specific EHS Guidelines during the supervision phase. The AMR includes specific mandatory sections, ESAP Status, and any additional information that may be needed to evaluate project implementer's performance.

The AMR scope and content and its required reporting frequency shall be discussed and agreed with the project implementer and with the IFC Lawyer to ensure incorporation of requirements into the FERPA or financial agreement. To support this requirement, the E&S specialist will:

- Prepare AMR reporting formats for the required data collection necessary to support thorough and timely reporting, including ESAP status;
- Ensure that the carbon credit purchase agreement and/or financial agreement mandates IFC project implementer preparation and transmittal of AMR and clearly defines the frequency; and,
- Ensure that the carbon credit purchase agreement and/or financial agreement stipulates that the AMR may be changed by the project implementer or by IFC with mutual agreement because of changed project circumstances or to enhance the content, clarity of E&S sustainability information reported to IFC.

E&S Section of Board Paper. From the due diligence findings, the E&S specialist shall prepare the E&S section of the Board Paper for discussion and approval prior to commitment. The Board Paper is a document prepared by the investment department for IFC's Board of Directors. Board Papers relating to specific investment projects are not publicly disclosed, because they contain confidential project implementer information. Gender gaps and potential interventions to closing them are also described in the board paper as part of the anticipated development impact assessment. The E&S section of the Board Paper includes a description of risks and impacts and mitigations as well as anticipated key development outcomes of the project.

f) *Project Supervision and Monitoring*

The purpose of supervision is to obtain information to assess the status of project's ongoing compliance with the PS and other specific E&S requirements agreed at commitment; to assess the current level of E&S risk; to provide advice to project implementers on how to address critical E&S issues; and to identify opportunities for improvement and good practices that could be applied to similar projects.

Supervision Responsibilities. IFC E&S Specialist shall conduct regular project E&S supervision, which shall entail periodic review of the project implementer's E&S compliance with the requirements of the IFC investment contract. Review activities shall include:

- Review Annual Monitoring Reports (AMRs);
- Supervision site visits;

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- Review all other project-related information that may become available and define any changed project circumstances that were not anticipated in appraisal and that could or do result in adverse E&S risks and/or impacts;
- Establish project implementer's degree of compliance with all investment conditions such as covenants, Conditions of Disbursement (CODs) prior to all disbursements, side letters, ESAP implementation, etc;
- Identify good E&S practices to promote their replication in other projects in the portfolio;
- Identify poorly performing projects and where the project implementer fails to comply with its E&S commitments;
- Advise the project implementer on how to manage E&S project issues; and,
- Clearly communicate risks and probable consequences of project implementer compliance failures with the E&S requirements and initiate remedies if the project implementer fails to reestablish compliance.

AMR Review. The Project implementer shall prepare AMRs every year, including a status report for ESAP tasks, as the primary communication channel for reporting E&S performance to IFC. The AMRs shall be reviewed by the IFC E&S specialist, and the review shall entail the following:

- The project's performance compared to the requirements of Safeguard Policies, IFC's PSs as applicable; applicable requirements of general and sector-specific EHS Guidelines, environmental assessment-proposed mitigation and management plans;
- The project's performance compared to the requirements of the ESAP;
- The implementation degree and effectiveness of the project's Environmental and Social Management System;
- Conclusions and completion status of remedial actions from previous AMR reviews and supervision site visits;
- The effectiveness of the project implementer's grievance mechanism and gender sensitive community engagement;
- Reporting of serious incidents; and,
- All other project-specific E&S reporting requirements defined in the FERPA and/or financial agreement, side letters or other places.

Supervision Site Visits. The supervision site visit shall be conducted regularly, or whenever IFC identifies the need, depending on the project. The visit activities shall include interviews and discussion with the project implementer and other representatives, document review, and physical inspection of selected facilities and/or activities.

Reporting to GCF. IFC will provide an annual monitoring report of its activities at the project level based on a template agreed with GCF.

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IV. STAKEHOLDER ENGAGEMENT

The project implementer will be required to meet the requirements of IFC PS1 and develop a Stakeholder Engagement Plan (SEP) if such does not exist or further strengthening is required to meet compliance. Annexes 1, 2 and 3 provide guidance to project implementers in identifying the range of stakeholders that may be affected and/or interested in REDD+ activities and considering how external communications might facilitate a dialog with all stakeholders. Stakeholder engagement requirements is in accordance with IFC Performance Standard 1 and based on its related Guidance Note which is available in English, French, Spanish and Portuguese, among others. Additional guidance for the REDD+ activity implementers will be through the GCF Guidance on designing and ensuring meaningful stakeholder engagement in GCF financed projects.²

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps1

V. GRIEVANCE MANAGEMENT

Grievance management is an integral part of the REDD+ activities. A good grievance management mechanism ensures effective external communication and facilitates fair resolution of affected communities' concerns and grievances about the project implementer's environmental and social performance. A Community Grievance Management Framework has been developed to guide during development and implementation of grievance management plans at project level (See Annex 6).

Requirements for grievance management at the project level is in accordance with IFC Performance Standard 1 on stakeholder engagement and based on its related Guidance Note which is available in English, French, Spanish and Portuguese, among others.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps1

² The GCF guidance can be accessed at <https://www.greenclimate.fund/documents/meaningful-stakeholder-engagement>

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VI. ANNEXES

The annexes below provide further guidance to the project implementer on developing specific plans (if relevant) in relation to stakeholder engagement and grievance mechanism, indigenous peoples, resettlement and land acquisition.

Annex 1: Levels of Stakeholder Engagement as per the IFC's Sustainability Framework

Annex 2: Stakeholder Engagement Plan (Key content requirements for the project implementer)

Annex 3: Example of Indicators and Validation Methods for Informed Consultation and Participation (ICP) Process as per IFC PS1

Annex 4: Resettlement Action Plan and Livelihood Restoration Plan (Sample Framework) ³

Annex 5: Indigenous Peoples Plan (Sample Framework) ⁴

Annex 6: Community Grievance Mechanisms (Sample Contents)

³ Guidance Note 5, Land Acquisition and Involuntary Resettlement, IFC (January 1, 2012).

⁴ Guidance Note 7, Indigenous Peoples, IFC (January 1, 2012).

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Annex 1: Levels of Stakeholder Engagement as per the IFC's Sustainability Framework

RISKS AND LEVELS OF STAKEHOLDER ENGAGEMENT

Risks levels:
Significant



Indigenous Peoples in certain circumstances:
Free, Prior and Informed Consent (FPIC)

Indigenous Peoples, and significantly adversely affected
communities: **Informed Consultation and Participation (ICP)**

Adversely affected communities and stakeholders:
Consultation

All investments: **Transparency and disclosure**

Low

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Annex 2 – Key Contents of a Stakeholder Engagement Plan⁵

The project implementer will be required to develop and implement a stakeholder engagement plan if such does not exist already. A good Stakeholder Engagement Plan should:

- ☐☐ Describe regulatory, lender, company, and/or other requirements for consultation and disclosure.
- ☐☐ Identify and prioritize key stakeholder groups, focusing on Affected Communities.
- ☐☐ Provide a strategy and timetable for sharing information and consulting with each of these groups including considering gender considerations.
- ☐☐ Describe resources and responsibilities for implementing stakeholder engagement activities.
- ☐☐ Describe how stakeholder engagement activities will be incorporated into a company's management system.

The scope and level of detail of the plan should be scaled to fit the needs of the project (or company operations).

1. Introduction

Briefly describe the project (or the company's operations) including design elements and potential environmental and social issues. Where possible, include maps of the project site and surrounding area.

2. Regulations and Requirements

Summarize any legal, regulatory, lender, or company requirements pertaining to stakeholder engagement applicable to the project or company operations. This may involve public consultation and disclosure requirements related to the environmental and social assessment process.

- ### 3. Summary of any previous stakeholder engagement activities
- If the company has undertaken any activities to date, including information disclosure and/or consultation, provide the following details:
- Type of information disclosed, in what forms (e.g., oral, brochure, reports, posters, radio, etc.), and how it was disseminated.
 - The locations and dates of any meetings undertaken to date.
 - Individuals, groups, and/or organizations that have been consulted.
 - Key issues discussed and key concerns raised.
 - Company response to issues raised, including any commitments or follow-up actions.
 - Process undertaken for documenting these activities and reporting back to stakeholders.

4. Project Stakeholders

List the key stakeholder groups who will be informed and consulted about the project (or the company's operations). These should include persons or groups who:

- Are directly and/or indirectly affected by the project (or the company's operations).
- Have "interests" in the project or parent company that determine them as stakeholders.

⁵ Guidance Note 1, Assessment and Management of Environmental and Social Risks and Impacts, IFC (January 1, 2012).

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- Have the potential to influence project outcomes or company operations (examples of potential stakeholders are Affected Communities, local organizations, NGOs, and government authorities; stakeholders can also include politicians, other companies, labor unions, academics, religious groups, national environmental and social public sector agencies, and the media).
5. Stakeholder Engagement Program
- Summarize the purpose and goals of the program (either project-specific or corporate).
 - Briefly describe what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups identified in section 4 above. Methods used may vary according to target audience, for example:
 - ☐☐ Newspapers, posters, radio, television
 - ☐☐ Information centers and exhibitions or other visual displays
 - ☐☐ Brochures, leaflets, posters, non-technical summary documents and reports
 - Briefly describe the methods that will be used to consult with each of the stakeholder groups identified in section 4. Methods used may vary according to target audience, for example:
 - ☐☐ Interviews with stakeholder representatives and key informants
 - ☐☐ Surveys, polls, and questionnaires
 - ☐☐ Public meetings, workshops, and/or focus groups with specific groups
 - ☐☐ Participatory methods
 - ☐☐ Other traditional mechanisms for consultation and decision-making
 - Describe how the views of women and other relevant sub-groups (e.g., minorities, elderly, youth etc.) will be taken into account during the process.
 - Describe any other engagement activities that will be undertaken, including participatory processes, joint decision-making, and/or partnerships undertaken with local communities, NGOs, or other project stakeholders. Examples include benefit-sharing programs, stakeholders development initiatives, resettlement and development programs, and/or training and micro-finance programs.

6. Timetable

Provide a schedule outlining dates/periodicity and locations where various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will be incorporated into the company's management system (at either the project or corporate level).

7. Resources and Responsibilities

- Indicate what staff and resources will be devoted to managing and implementing the company's Stakeholder Engagement Program.
- Who within the company will be responsible for carrying out these activities? What budget has been allocated toward these activities?

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- For projects (or multiple company operations) with significant or diverse impacts and multiple stakeholder groups, it is good practice for a company to hire a qualified Stakeholders Liaison Officer(s) to arrange and facilitate these activities at the project and/or corporate level. Integration of the stakeholders liaison function with other core business functions is also important, as is management involvement and oversight.

8. Grievance Mechanism

Describe the process by which people affected by the project (or company's operations) can bring their grievances to the company for consideration and redress. Who will receive grievances, how and by whom will they be resolved, have gender considerations been addressed in the mechanism, and how will the response be communicated back to the complainant?

9. Monitoring and Reporting

- Describe any plans to involve project stakeholders (including Affected Communities) or third-party monitors in the monitoring of project impacts and mitigation programs.
- Describe how and when the results of stakeholder engagement activities will be reported back to Affected Communities as well as broader stakeholder groups.
- Examples include environmental and social assessment reports; company newsletters; annual monitoring reports submitted to lenders; company annual report; company or corporate sustainability report.

10. Management Functions

How will stakeholder engagement activities be integrated into the company's ESMS and with other core business functions?

- Who will have management oversight for the program?
- What are the plans for hiring, training, and deploying staff to undertake stakeholder engagement work?
- What will be the reporting lines between stakeholders liaison staff and senior management?
- How will the company's stakeholder engagement strategy be communicated internally?
- What management tools will be used to document, track, and manage the process (e.g., stakeholder database, commitments register, etc.)?
- For projects or company operations involving contractors, how will the interaction between contractors and local stakeholders be managed to ensure good relations?

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**Annex 3 - Example of Indicators and Validation Methods for
Informed Consultation and Participation (ICP) Process⁶**

Material Consideration	Examples of Validation Methods
<p>1. Company Strategy, Policy, or Principles of Engagement</p> <p>Strategy, policy, or principles for on-going stakeholder engagement with explicit mention of Affected Communities and relevant standards.</p>	<p>Project implementer’s strategy, policy or principles or other supporting documents.</p>
<p>2. Stakeholder Identification and Analysis</p> <p>As part of the environmental and social assessment process, identification of all Affected Communities, their disaggregation (numbers, locations) in terms of different levels of vulnerability to adverse project impacts and risks, and an analysis of the effect of adverse project impacts and risks on each group. As part of the environmental and social assessment process, this analysis should also look at communities and individuals that will benefit from the project and consider gender differences in positive and negative impact.</p>	<p>Stakeholder analysis document as part of SEIA or SEA.</p> <p>Project implementer’s planning documentation for stakeholders engagement, e.g., communications strategy, consultation plan, Public Consultation and Disclosure Plans, and stakeholder engagement plan.</p>
<p>3. Stakeholders Engagement</p> <p>A process of consultation that is ongoing during the project planning process (including the process of environmental and social assessment), such that: (i) Affected Communities have been engaged in: (a) identifying potential impacts and risks; (b) assessing the consequences of these impacts and risks for their lives; and (c) providing input into the proposed mitigation measures, the sharing of development benefits and opportunities and implementation issues; and that (ii) new impacts and risks that have come to light during the planning and assessment process have also been consulted upon.</p>	<p>Project implementer’s schedule and record of stakeholder engagement.</p> <p>Project implementer’s record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of sub-groups (e.g., women, minorities).</p>
<p>4. Information Disclosure</p> <p>Timely disclosure by the project implementer of project information to Affected Communities about (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the</p>	<p>Project implementer’s materials prepared for disclosure and consultation.</p> <p>Project implementer’s record of discussions with recognized stakeholders representatives; respected key informants; and legitimate representatives of sub-groups.</p>

⁶ Guidance Note 1, Assessment and Management of Environmental and Social Risks and Impacts, IFC (January 1, 2012).

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<p>grievance mechanism. Disclosure should be in a form that is understandable and meaningful.</p>	
<p>5. Consultation</p> <p>a) Free Evidence from the Affected Communities that the project implementer or its representatives have not coerced, intimidated or unduly incentivized the affected population to be supportive of the project.</p> <p>b) Prior Consultation with Affected Communities must be sufficiently early in the project planning process (i) to allow time for project information to be interpreted and comments and recommendations formulated and discussed; (ii) for the consultation to have a meaningful influence on the broad project design options (e.g., siting, location, routing, sequencing, and scheduling); (iii) for the consultation to have a meaningful influence on the choice and design of mitigation measures, the sharing of development benefits and opportunities, and project implementation.</p> <p>c) Informed Consultation with Affected Communities on project operations and potential adverse impacts and risks, based on adequate and relevant disclosure of project information, and using methods of communication that are inclusive (i.e., accommodating various levels of vulnerability), culturally appropriate, gender sensitive and adapted to the communities' language needs and decision-making, such that members of these communities fully understand how the project will affect their lives.</p>	<p>Project implementer's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Project implementer's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Project implementer's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p>
<p>6. Informed Participation</p> <p>Evidence of the project implementer's organized and iterative consultation, leading to the project implementer's specific decisions to incorporate the views of the Affected Communities on matters that affect them directly, such as the avoidance or minimization of project impacts, proposed mitigation measures, the sharing of project benefits and opportunities, and implementation issues.</p>	<p>Project implementer's schedule and record of stakeholder engagement.</p> <p>The project implementer's documentation of measures taken to avoid or minimize risks to and adverse impacts on Affected Communities in response to stakeholders' feedback received during consultation. Drafts of relevant Action Plans.</p>

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<p>7. Vulnerable Groups – Consultation and Mitigation Evidence that individuals or groups particularly vulnerable to adverse project impacts and risks have been party to effective free, prior, and informed consultation as well as informed participation, and evidence that the potential impacts and specific or exacerbated risks to them will be mitigated to the satisfaction of these parties.</p>	<p>Stakeholder analysis as part of SEIA or SEA or socioeconomic baseline data. Project implementer’s record of stakeholder engagement, including record of discussions with legitimate representatives of vulnerable groups. Project implementer’s documentation of measures taken to avoid or minimize risks to and adverse impacts on vulnerable groups in response to feedback received during consultation. Drafts of relevant Action Plans.</p>
<p>8. Grievance Mechanism – Structure, Procedure, and Application An effective grievance mechanism procedure that is fully functioning (i) throughout the process of environmental and social assessment; and (ii) that is suitable for the operational phase of the project to receive and address the Affected Communities’ concerns about the project implementer’s environmental and social performance. The mechanism should be culturally appropriate, gender responsive, readily accessible to all segments of the Affected Communities, and available to Affected Communities at no cost and without retribution.</p>	<p>Project implementer’s organizational structure and responsibilities, and procedures for managing grievances. Project implementer’s record of grievances received about the project and addressed, including expressions in support or dissent. Project implementer’s record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p>
<p>9. Feedback to Affected Communities Documentation that the project implementer provided the results of consultation to the Affected Communities, and either (i) demonstrated how the comments and recommendations made by the Affected Communities have been accommodated in the project design, mitigation measures, and/or sharing of development benefits and opportunities for both men and women; or (ii) provided a rationale why these comments and recommendations have not been accommodated.</p>	<p>Project implementer’s record of stakeholder engagement. Project implementer’s documentation of measures taken to avoid or minimize risks to and adverse impacts on Affected Communities. Discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups. Project implementer’s ongoing reporting on implementation of relevant Action Plans. Revised management program or Action Plans.</p>

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Annex 4 – Key Content of a Resettlement Action Plan (RAP) and Livelihood Restoration Plan (LRP) as per IFC Performance Standard 5

These generic terms of references (TOR) provide a framework of key contents and issues expected to be addressed in a Resettlement Action Plan (RAP) and/or Livelihood Restoration Plan (LRP) by the project implementer. Through proper resettlement planning and implementation, the project implementer, can avoid or minimize socio-economic risks associated with involuntary resettlement in a systematic manner and, wherever possible, enhance the development impact of a project by enabling affected households and communities to participate in resettlement planning through informed consultation and participation (ICP) as per IFC Performance Standard 1, and to share in various project benefits and thereby improve their living standards. The RAP and/or LRP will be developed by the project implementer and will be commensurate with the project's risks and impacts. Please refer to the Guidance Note 5 that corresponds to Performance Standard 5 which provides further details and references on planning, key issues to consider, implementation as well as the private sector and government-led resettlement

(https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps5).

KEY CONTENTS OF A RAP/LRP

A. Background and Introduction

1. This section presents a summary of the proposed project in terms of the project developer, project components, and associated land impacts, based on findings of the Scoping Report.

B. Objectives of the RAP/LRP

2. The project implementer is to confirm standards to be adopted by the land-acquisition and resettlement exercise. Typically, this is found in national regulation and lenders requirements. The objectives of the RAP/LRP include the following:

- To avoid, and when avoidance is not possible minimize displacement by exploring alternative project designs.
- To avoid forced eviction.
- To anticipate and avoid, or where avoidance is not possible minimize, adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. Where the affected communities include indigenous peoples, the free, prior and informed consent process will be assessed and included in the documentation of the RAP/LRP.
- To improve, or restore, the livelihoods and standards of living of displaced persons.

In specific relation to indigenous peoples, the RAP and/or LRP will need to include the requirements of acquiring free, prior and informed consent (FPIC) in the unlikely event that REDD+ activities (i) impact on lands and natural

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resources subject to traditional ownership or under customary use; and/or, (ii) require the relocation of indigenous peoples from lands and natural resources subject to traditional ownership or under customary use.

C. General Requirements of Project Implementer

i) Skills and composition

3. The development of the RAP will need to involve a team with the requisite skills to carry out the tasks to achieve a RAP that meets the requirements outlined below. The team will include experts with demonstrated expertise in the following areas: resettlement, socioeconomic studies, land-use planning, and public consultation.

ii) Timeframe

4. This section will describe the timeframe requirement for preparation of the RAP/LRP.

D. Scopes and Tasks

i) Project management

5. The project implementer is to appoint a project manager with extensive experience in preparing a RAP/LRP that meets requirements of the host country and applicable international standards. The project manager will be responsible for the day-to-day implementation of the RAP/LRP work, including regular updates to the project implementer and timely delivery of the final products.

ii) Description of the regulatory framework

- Identify national and regional land-acquisition and resettlement legal requirements, permitting procedures, and compensation eligibilities, also in relation to customary rights.
- Identify international financing requirements.
- Identify and bridge gaps between the above two and state project land-acquisition and resettlement strategies.

iii) Project impacts

- Identify types of project land use (including restriction of land access)—direct and indirect, permanent and temporary.
- Prepare impact tables that detail each category of affected land, assets, and persons.
- Document project resettlement minimization process and outcomes.

iv) Identification of affected persons and community

6. Identify project-affected persons (integrating a gender dimension) and community through field surveys:
- **A census** to enumerate all affected persons and register them according to location.
 - **An inventory** of lost and affected assets at the household, enterprise, and community level.
 - **Socioeconomic surveys and studies** of all affected persons (including seasonal, migrant, and host communities, including differences for men and women).
 - **Analysis of surveys and studies** to establish compensation parameters, to design appropriate income restoration and sustainable development initiatives, and to identify baseline monitoring indicators.

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- **Consultation** with affected populations (men and women in separate focus group discussions where appropriate) regarding mitigation of effects and development opportunities.

v) Stakeholder engagement and public disclosure

7. Map key stakeholders and develop specific gender sensitive strategies of engagement throughout the RAP/LRP process. Include host communities if physical displacement requires a resettlement site.

8. Project implementer will list disclosure requirements in this section.

vi) Eligibility criteria and compensation

9. The project implementer will do the following:

- **Establish criteria for determining the resettlement eligibility of affected households:** Eligibility criteria must be advantageous to women and other vulnerable groups, including those without legal title to assets. The eligibility criteria will be disclosed to affected communities and other project stakeholders as part of task 5. Feedback from the disclosure process will be used in the delivery of compensation and or livelihood restoration.
- **Prepare an entitlements matrix listing all likely impacts.** It will identify
 - all categories of affected persons,
 - all types of loss associated with each category, and
 - all types of compensation and assistance to which each category is entitled.
- **Prepare standards for compensation and livelihood restoration:** Prepare a formula for setting full replacement costs for assets lost, including land. Establish options for culturally acceptable replacements for lost services, cultural sites, common property, or access to resources for subsistence, income, or cultural activities.
- **Prepare options for relocation and income restoration:** These will build on the existing social, economic, and cultural parameters both of displaced persons and of host communities. Provide for relocation costs, lost income, and income support during transition. Where appropriate, prepare relocation plans including selection and preparation of relocation sites. Make provisions for landownership, tenure and transfer, and access to resources.
- **Where incomes must be restored, provide for needs assessment, employment generation, and credit disbursement:** Where affected persons are to change their occupation, provide for training and vocational support mechanisms. Review the likely environmental impact of the resettlement process and build in plans to mitigate any adverse environmental effects.
- **Make special provision for vulnerable groups.**

vii) Grievance mechanism

10. Develop a gender appropriate grievance and disputes mechanism as part of the RAP/LRP. The process shall clearly describe how affected persons will seek redress for grievances regarding any aspect of the RAP/LRP. The process should give special attention to women and members of vulnerable groups to ensure that they have equal access to grievance redress procedures.

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viii) Implementation arrangement

11. Prepare a timeframe and implementation schedule for land acquisition and resettlement in conjunction with the agreed implementation schedule for project components, showing how affected persons will be informed.

ix) Monitoring and evaluation

12. Prepare a M&E plan, identifying the responsibilities, timeframe, and some key indicators. This will include ongoing monitoring by key agencies supplemented by an independent evaluation. Specify the timeframe for monitoring and reporting.

x) Budget

13. Prepare an indicative budget. Identify indicative land-acquisition and resettlement costs. Prepare budgetary allocation and timing. Specify sources of funding and approval process. Prepare an annual budget estimate for resettlement by major category of expenditure

E. Deliverables

14. Present the requirements and timeframe for all deliverables.

Key Contents for the Planning of a Resettlement Completion Audit

A resettlement completion audit will be conducted by the project implementer once all activities have been completed in order to assess if the resettlement objectives have been met in accordance with IFC Performance Standard 5. IFC will assess and guide the project implementer with this process if applicable.

A. General Requirements of Completion Audit Contractor

i) Capabilities

1. The consultants in charge of the completion audit should have significant and demonstrated international experience in resettlement (planning, implementation, and monitoring), including land acquisition, expropriation, livelihood restoration, and stakeholder engagement, and should be perfectly familiar with the application of international resettlement standards such as IFC PS5 in the context of (COUNTRY).

ii) Timeframe

2. This section of the TOR should describe the timeframe requirement for the completion audit (suggested timeframe for typical projects: 6 months—including surveys). The services should be broken down into three phases as follows:
 1. Scoping of completion audit, preparation of detailed terms of reference for surveys (typically one month);
 2. Surveys (qualitative and quantitative), contracted separately (typically three months); and
 3. Completion review and report write-up (typically one month).

iii) List of Available Documentation

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3. This section of the TOR should provide the list of available documentation. As a minimum:
 - Resettlement Action Plan (RAP) (or Livelihood Restoration Plan (LRP))
 - Environmental and Social Action Plan (ESAP) and/or Environmental and Social Management Plan (ESMP)
 - Internal monitoring reports
 - Initial baseline reports
 - Initial socioeconomic questionnaires and raw data
 - Compliance review reports

B. Project Background

4. This section of the TOR should provide essential elements of the project description as well as a description of key displacement impacts (economic and physical), and of the compensation, resettlement, and livelihood restoration strategy.

C. Scope of Work

i) General

5. The objectives of the resettlement completion audit are the following:
 - Determine whether requirements of PS5, key commitments made in the Resettlement Action Plan (or Livelihood Restoration Plan—as the case may be), and other commitments deriving from the ESMP, ESAP or any other relevant documentation, have been met by the sponsor.
 - Assess the effectiveness of measures to avoid and minimize displacement impacts by comparing actual project impacts on land and people with a gender lens included versus those documented in the RAP.
 - Verify that entitlements described in the RAP have been delivered.
 - Determine whether RAP measures have been effective in enhancing (or as a minimum restoring) affected persons' living standards and livelihoods.
 - Check on any systemic grievances that may have been left outstanding.
 - Identify any corrective actions necessary to achieve completion of RAP commitments.

ii) Scoping Phase

6. The scoping phase of the Resettlement Completion Audit will include the following tasks:
 1. Review of available documentation, including RAP (or LRP) and compliance review reports;
 2. Based on the above, and particularly on the Monitoring and Evaluation commitments in the RAP/LRP, establishment of a list of key compliance indicators, against which the completion audit will seek to check compliance of the actual performance of the project; establishment, based on commitments in the RAP/LRP, of clear completion objectives (for example, XX% of affected households have improved or restored their livelihoods); submission of the list of key compliance indicators and of the compliance criteria to the project implementer for review and endorsement, as part of the completion audit scoping report (see below);

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3. Site visit, rapid review of key resettlement issues, engagement with the project implementer, PAPs (or their representatives), and key stakeholders (men and women), including local government authorities and any government agencies involved in the RAP/LRP planning, implementation, and monitoring;
4. Detailed review of baseline surveys, including data storage and possibility to process the baseline data and compare to data acquired as part of the completion audit;
5. Preparation of a detailed strategy for replicate surveys to be undertaken as part of the completion audit, including both qualitative and quantitative surveys, and development of an implementation plan for surveys (timeline, resources, procurement strategy if surveys are outsourced);
6. Development of a completion audit scoping report, including key compliance indicators and survey strategy.

iii) Surveys

7. Surveys will be implemented under the project implementer's responsibility (either internally or outsourced) based on the strategy established by the resettlement completion audit consultant in the scoping stage.

iv) Assessment of Completion

8. A comparison for the relevant categories of PAPs of their socioeconomic circumstances will be carried out between the baseline and post-resettlement situations, using both qualitative and quantitative surveys. Comparisons will be disaggregated by gender, by PAP category (for example, economically and physically displaced) and along any relevant social or economic parameter (for example, vulnerable, ethnic group, community, geographic area, and so forth). Where needed, statistical tests will be carried out to ascertain the significance of the observed differences.
- Qualitative: Compare qualitative indicators such as (suggested list, to be complemented to match the characteristics of the project and area):
 - Perceived quality of housing;
 - Perceived quality of life, including, but not limited to insertion in social networks, access to social and cultural events, quality of environment, and so on;
 - Perceived standards of living, including income and perceived evolution with the resettlement (or compensation) process, access to assets, access to livelihood streams such as agricultural land (quantity and quality) and employment, access to services including education and health, access to utilities including power water and sanitation;
 - Use of cash compensation (where relevant) and perceived impact of compensation on the household economy;
 - Perceived changes in gender equality, gender distribution of household tasks and responsibilities, respective female and male access to services, utilities, land, employment and sources of income;
 - Perceived changes in household economy, including any increase in expenditures associated with resettlement, diminution of ability to consume self-produced agricultural products, access to natural resources including fuel wood and/or other important natural products.
 - Perceived changes in safety/security of housing (location/design etc.)

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- Quantitative: Compare quantitative indicators such as (suggested list, to be complemented to match the characteristics of the project and area):
 - Income from different sources (as relevant: agriculture, employment, informal and formal business, social welfare allowances, remittances, pensions, and so on);
 - Access to agricultural land (number of hectares/acres available to household, transportation time to agricultural land);
 - Cost of housing, water, power;
 - Transportation time (for men and women) to employment areas and to other areas important to peoples' life and livelihoods;
 - Morbidity, with particular focus on diseases that may have environmental causes such as water-borne and respiratory diseases.
- 9. Any outstanding grievances and court cases shall be reviewed.
- 10. Lastly a systematic qualitative review of all commitments made in the RAP/LRP shall be carried out and detailed completion tables for all of these commitments shall be prepared.

v) Completion Audit Report

The Completion Audit Report shall reflect all relevant conclusions of the Completion Audit. For commitments for which the auditor concludes that completion has not been reached, a detailed action plan (activity, responsibilities, timeframe, success indicators) shall be prepared.

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**Annex 5 – Approach to IFC Performance Standard 7 on Indigenous Peoples and
Outline of an Indigenous Peoples Plan (IPP)**

Performance Standard 7 recognizes that Indigenous Peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalized and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. Indigenous Peoples are particularly vulnerable if their lands and resources are transformed, encroached upon, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also come under threat. As a consequence, Indigenous Peoples may be more vulnerable to the adverse impacts associated with project development than non-indigenous communities. This vulnerability may include loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and diseases.

The objectives of the IFC Performance Standard 7 are:

- To ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.
- To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts.
- To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.
- To establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project’s life-cycle.
- To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present.
- To respect and preserve the culture, knowledge, and practices of Indigenous Peoples.

As per IFC PS7, the term “Indigenous Peoples” is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or
- A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

IFC will utilize the above operational criteria to determine applicability of IFC PS7 for a specific project. This applies to communities or groups of Indigenous Peoples who maintain a collective attachment, i.e., whose identity as a group or community is linked, to distinct habitats or ancestral territories and the natural resources therein. It may also apply to communities or groups that have lost collective attachment to distinct habitats or ancestral territories in the project area, occurring within the concerned group members’ lifetime, because of forced severance, conflict, government resettlement programs, dispossession of their lands, natural disasters, or incorporation of such territories into an urban area.

The project implementer will identify, through an environmental and social risks and impacts assessment process, all communities of Indigenous Peoples within the project area of influence who may have been affected by the

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project, as well as the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage), and environmental impacts on them.

If adverse impacts are unavoidable, the project implementer will minimize and/or compensate for these impacts in a manner commensurate with the nature and scale of impacts and the vulnerability of the Affected Communities of Indigenous Peoples. The project implementer should prepare an Indigenous Peoples Plan (IPP) outlining the actions to minimize and/or compensate for adverse impacts in a culturally appropriate manner. The plan should detail actions to minimize and/or compensate for adverse social and economic impacts, and identify opportunities and actions to enhance positive impacts of the project on the Indigenous Peoples. Where appropriate, the plan may also include measures to promote conservation and sustainable management of the natural resources on which the Indigenous Peoples depend, in a manner consistent with Performance Standard 6 or measures by the project to manage land usage by the Affected Communities of Indigenous Peoples. The plan should include a clear statement of roles and responsibilities, funding and resource inputs, a time-bound schedule of activities, and a budget.

Specifically, the IPP will need to be prepared by the project implementer taking into consideration that activities are already being implemented. As such, the IPP will be intended to formalize and strengthen indigenous peoples' involvement with the relevant activities. In general, and where appropriate, an IPP should include the following elements taking into account that this may be developed retrospectively:

(a) Baseline information (from environmental and social risks and impacts assessment process)

Summarize relevant baseline information that clearly profiles the Affected Communities, their circumstances and livelihoods, with description and quantification of the natural resources upon which the Indigenous Peoples depend.

(b) Analysis of Impacts, Risks & Opportunities (from ongoing activities)

Summarize key findings, analysis of impacts, risks and opportunities and recommended possible enhancement measures to mitigate adverse impacts, enhance positive impacts, conserve and manage their natural resource base on a sustainable basis, and achieve sustainable community development.

(c) Result of Consultations (during environmental and social risks and impacts assessment process) and Future Engagement

Describe the process of information disclosure, consultation and informed participation and where relevant the FPIC process including GFN⁷ and documented agreements, with the Affected Communities of Indigenous Peoples, and how issues raised have been addressed. The consultation framework for future engagement should clearly describe the process for ongoing consultations with, and participation by Indigenous Peoples (including women and men), in the process of implementing and operating the project if relevant.

(d) Avoid, Minimize, and Mitigate Negative Impacts and Enhance Positive Impacts

Clearly describe the measures agreed to in the process of information disclosure, consultation and informed participation to avoid, minimize and mitigate potential adverse effects on Indigenous Peoples, and to enhance positive impacts. Include appropriate action times that detail the measures to be taken, responsibilities and agreed schedule and for implementation (who, how, where and when) (refer to Performance Standard 1 and Guidance Note

⁷ GFN involves on the part of all parties: (i) willingness to engage in a process and availability to meet at reasonable times and frequency; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; (iv) use of mutually acceptable procedures for negotiation; (v) willingness to change initial position and modify offers where possible; and (vi) provision of sufficient time for decision making. The outcome, where the GFN process is successful, is an agreement and evidence thereof (Performance Standard 7 Guidance Note, GN25).

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1 for more details of the contents of an Action Plan). Whenever feasible, avoidance or preventative measures should be given primacy over mitigatory or compensatory measures.

(e) Community Based Natural Resource Management Component

Where applicable, focus on the means to ensure continuation of livelihood activities key to the survival of these communities and their traditional and cultural practices. Such livelihood activities may include grazing, hunting, gathering, or artisanal fishing, and may also be gender differentiated. This component clearly sets out how the natural resources upon which the Affected Communities depend, and the geographically distinct areas and habitats in which they are located, will be conserved, managed and utilized on a sustainable basis.

(f) Measures to Enhance Opportunities

Clearly describe measures to enable Indigenous Peoples to take advantage of opportunities brought about by the project, including participation to the project's planning and decision-making (if relevant), advancing the process to secure their land rights, and to conserve and manage on a sustainable basis the utilization of the unique natural resource base upon which they depend. Such opportunities should be culturally appropriate.

(g) Grievance Mechanism

Describe appropriate procedures to address grievances by Affected Communities of Indigenous Peoples arising from project implementation and operation. When designing the grievance procedures, the project implementer will take into account the availability of judicial recourse and customary dispute settlement mechanisms among the Indigenous Peoples. Affected Communities (both women and men) must be informed of their rights and the possibilities of administrative and legal recourse or remedies, and any legal aid available to assist them as part of the process of consultation and informed participation. The grievance mechanism should be accessible to the Affected Communities, provide for fair, transparent and timely redress of grievances without costs, and if necessary provide for special accommodations for women, youth and the elderly, and other vulnerable groups within the community, to make their complaints.

(h) Costs, budget, timetable, organizational responsibilities

Include an appropriate summary of costs of implementation, budget and responsibility for funding, timing of expenditure and organizational responsibilities in managing and administering project funds and expenditures.

(i) Monitoring, Evaluation & Reporting

Describe monitoring, evaluation and reporting mechanisms (including responsibilities, frequencies, feedback and corrective action processes). Monitoring and evaluation mechanisms should include arrangements for ongoing information disclosure, consultation and informed participation with the Affected Communities of Indigenous Peoples (both women and men) and for the implementation and funding of any corrective action identified in the evaluation process.

Further guidance is provided in IFC's Guidance Note 7 corresponding to Performance Standard 7, which is available in English, Spanish, French, Portuguese and other languages (https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps7)

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Annex 6 – Community Grievance Mechanism (Key Contents)

The project implementer will be required to establish and manage a grievance mechanism for the project, if such does not exist. Below is a sample of principles and management procedures the mechanism should include.

1.1. Scope and Principles

General principles of a grievance mechanism in line with international practice include:

- *Proportionality*: Scaled to risk and adverse impact on affected communities
- *Cultural Appropriateness*: Designed considering culturally appropriate ways of handling community concerns considering both women and men’s needs and concerns
- *Accessibility*: Clear and understandable mechanism that is accessible to all segments of the affected communities at no cost
- *Transparency and Accountability*: To all stakeholders
- *Appropriate Protection*: A mechanism that prevents retribution and does not impede access to other remedies
- *Reasonable Timescale*: All issues will be resolved in a manner that allows for the time necessary to complete the investigation and come to a proposed resolution. The timescale will be disclosed with the person involved at the time of grievance acceptance.
- *Right to be accompanied*: In any meetings or hearings, the worker has the right to be accompanied by a colleague, friend or union representative
- *Third party mediation*: Third party mediation will be made available if resolution between project implementer and the complainant is not possible.

1.2. Design

A grievance will be categorized in the following manner:

- Receive and register a complaint.
- Screen and assess the complaint.
- Select a resolution approach.
- Resolution.
- Track and evaluate results.
- Learn from the experience and communicate back to all parties involved.

1.3. Complaints Reception and Registration

The reception and registration process should have multiple channels for lodging a grievance to maximize both access and protection of complainants. Complaints should be able to be filed both verbally (phone/person) and in

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writing with a simple form Anonymous grievance can be filed. The appropriate and diverse staff will acknowledge the receipt of a grievance and inform the complainant about the time frame in which a response can be expected. Once the complaint has been received, it should be recorded in a central grievance tracker by the responsible staff. The issue record should include estimated time for resolution and closeout. The log should keep a live register of grievances, categorized as active, rejected and resolved, the stage of the process the grievance is in (screening, assessment, resolution) and a reasonable timeframe for resolution.

1.4. Complaint screening and assessment

This step determines whether a complaint is eligible for the grievance mechanism. The screening procedure is based upon a few simple eligibility criteria that do not involve judging the substantive merit of the complaint such as, for example: the complaint pertains to the project; the issues raised in the complaint fall within the scope of issues the grievance mechanism is authorized to address; and the complainant has standing to file. (e.g. is impacted directly or indirectly by the project)

1.5. Resolution Approach

Once the grievance is well understood, resolution options can be developed by the responsible staff bilaterally through discussion or negotiation or through formal third-party mediation

1.6. Resolution

The response procedure should include general steps for resolution.

1.7. Complaint tracking and evaluation

Following completion of the agreed-upon corrective actions, proof that those actions have taken place should be collected and stored in the grievance register. The tracker should capture the sex of the individual complainants to see if there are gender patterns and feed into the overall stakeholder engagement report.

1.8. Continuous improvement

A trained and qualified person should be assigned primary responsibility for continually improving the grievance mechanism based on feedback on the process and the results captured in the tracker in terms of grievances resolved, time to resolve, frequency of grievances, etc.

1.9. Grievance Mechanism Training

All employees and contractors should receive training on the full grievance mechanism, including overall process, responsibilities and reporting.

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Corrective Action Form (example):

1. Deficiency to be addressed				
2. Required Outcomes				
3. Required Tasks	4. Owner	5. Resources Required	6. Completion Date	7. Monitoring