

**Critical Ecosystem Partnership Fund
39th Meeting of the CEPF Donor Council
Virtual Meeting
Wednesday 15 December 2021
8:00 a.m. – 11:00 a.m. Eastern Standard Time (EST)**

Next Steps for the Environmental and Social Management Framework (ESMF)

Recommended Action Item:

The Donor Council is asked to review the proposed future direction for managing environmental and social risk in the CEPF portfolio, and authorize the Secretariat to update CEPF's Environmental and Social Management Framework (ESMF) along these lines for review by the Working Group and subsequent approval by the Donor Council.

Background

Many CEPF-supported projects are implemented in environmentally sensitive areas or among vulnerable communities. Recognizing the potential for adverse impacts, CEPF has an overriding commitment to do no harm to people or the environment. To this end, CEPF has managed environmental and social risks arising from its grant-making since its inception.

In 2008, at the start of Phase II, CEPF developed an ESMF, which adapted the following World Bank policies to the context of the Fund's operations:

- Environmental Assessment (OP 4.01)
- Natural Habitats (OP 4.04)
- Forests (OP 4.36)
- Pest Management (OP 4.09)
- Involuntary Resettlement (OP 4.12 / BP 4.12)
- Indigenous Peoples (OP 4.10 / BP 4.10)
- Physical Cultural Resources (OP 4.11 / BP 4.11)

In 2015, in preparation for receiving the second replenishment of funding from the GEF, CEPF adopted two additional policies, based on existing policies of CI:

- CEPF Gender Policy
- CEPF Best Practice on Stakeholder Engagement

Currently, the framework used by CEPF to manage environmental and social risks comprises the ESMF plus the Gender Policy and the Best Practice on Stakeholder Engagement.

In July 2021, CEPF began a new investment in the Caribbean Islands Hotspot, financed

with a contribution from the Government of Japan managed by the World Bank. This investment complies with the World Bank's Environmental and Social Framework (ESF), adopted in 2018. To this end, a dedicated ESMF for the Caribbean Islands investment has been prepared and approved by the World Bank and is currently being implemented.

For the other biodiversity hotspots where CEPF invests, the World Bank policies will not apply henceforth. Therefore, CEPF needs to decide upon a future direction for managing environmental and social risks. To this end, different options were explored at the 64th meeting of the Working Group on 15 October 2020. At this meeting, the Working Group members voiced broad support for the following principles: (i) to the extent possible the framework should be applicable to all contexts in which CEPF works; (ii) the framework should be consistent with the minimum requirements of CEPF's global donors, including the GEF and AFD (as the Accredited Entity for the Green Climate Fund (GCF) program in Madagascar and the Indian Ocean Islands); and (iii) the framework should minimize the burden on grantees to ensure that CEPF funding remains accessible to a wide range of civil society organizations, especially local and grassroots groups.

With these principles in mind, the Secretariat developed a proposed future direction for managing environmental and social risk that also took account of the recommendations of the Wavestone report to lower the safeguard policy requirements for some projects and to use a simpler tool to assess risk. This proposed future direction was discussed at the 65th meeting of the Working Group on 4 March 2021 and further revised to incorporate feedback from Working Group members. Subsequently, the Secretariat consulted with the Project Delivery and Monitoring Team at CI, which is developing a new safeguard system for the organization, as well as with the GEF Small Grants Program at UNDP, which has experience managing environmental and social risk in the context of a small grants program.

Proposed Future Direction

The Secretariat proposes adapting the ESMF used by CI's GEF/GCF Project Agency to make it more applicable to the CEPF portfolio, which contains a high proportion of small grants to relatively low-capacity civil society organizations. The future ESMF developed for CEPF will meet the minimum requirements of the GEF and the GCF, and align with the new CI Safeguards System, but it will apply a modified screening process to categorize projects according to their environmental and social risks. This will allow projects that present relatively low risks to follow simplified processes, with only those projects that present more substantial risks being required to prepare additional documentation.

Specifically, each project will be placed into one of three categories:

- Category A projects, which would require a full, independent Environmental and Social Impact Assessment (ESIA). CEPF would not fund such projects except in exceptional circumstances where there was an overriding justification.
- Category B projects, which would require a more limited ESIA. The grantees would be required to prepare stand-alone safeguard plans.
- Category C projects, which would not require an ESIA. The requirements of individual safeguard policies would be incorporated into proposal and reporting templates.

The Secretariat expects that the majority of projects would be placed in Category C.

CEPF would adopt new policies to fill major gaps. These would be adapted from policies already developed by the CI GEF/GCF Project Agency and align with the CI Safeguard System. Specifically, CEPF would adopt policies on labor and working conditions as well as community health and safety. In addition to developing new policies, CEPF would also revise its existing policies, where required, to meet the minimum requirements of the GEF and GCF.

To minimize the additional workload on applicants and grantees, CEPF would integrate the requirements of the updated ESMF into the existing proposal and reporting templates to the extent possible. The Secretariat will also develop guidance, training materials and templates in multiple languages. These will be used to help applicants and grantees comply with the requirements of the ESMF. Formal training and hands-on support will be provided by the Secretariat and RITs.