



Environmental & Social Management System (ESMS)

Manual Summary 2024

The Environmental and Social Management System (ESMS) manual outlines an approach for assessing and managing environmental and social risks by the Caucasus Nature Fund (CNF), a Conservation Trust Fund (CTF). The key feature of the approach is to identify and evaluate the level of Environmental and Social (E&S) risk(s) of activities to be funded by CNF through grant agreements at the initial stages of decision-making, allowing the ESMS to be applied selectively to moderate, substantial or high risks. For the activities with no or low risks no further Environmental and Social mitigation measures are required, provided that they adhere to the CNF Exclusion List. The approach also suggests that there are some types of activities which are considered to have a low E&S risk per se and therefore will not be subjected to E&S mitigation measures, such as:

1. Species monitoring activities;
2. Eco-Educational activities;
3. Procurement of office infrastructure and/or office equipment;
4. Procurement of monitoring equipment.

Scope

The provisions of this ESMS Manual apply to the activities that are part of CNF PA Grants and Other Grants (OG) programs as well as CNF internal staffing and procedures such as strategic decision-making, grant administration and monitoring and evaluation (M&E). The ESMS includes all activities, that are assessed as to have moderate, substantial or high risk, supported by CNF in the Protected Areas (and their area of influence) where CNF operates.

This ESMS applies to all types of environmental and social risks and impacts, including **direct impacts, indirect impacts, and cumulative impacts, which CNF might cause or to which CNF might contribute, or to which it might be linked.**

Policy and Commitments

The interim CNF E&S Commitment below sets out how CNF will integrate environmental, social and human rights considerations into the Fund's operations and grantees' activities to ensure effective delivery of the CNF mission, and adherence with national legislation and international standards summarized below. The statement and commitment highlight the key E&S principles that CNF board members, employees and grantees need to adhere to. Furthermore, CNF commitment to continuous improvement with respect to the management of E&S risks and negative impacts is included in the statement below. CNF will implement this commitment through the ESMS Manual and integration of E&S procedures into existing grant giving procedures.

CNF is committed to maintaining an ESMS which complies with provisions of national legislation in Georgia, Armenia and Azerbaijan, CNF own policies, and with international best practices and standards, as listed in **Section 3.2** of the ESMS Manual. CNF is committed to doing no social or environmental harm, actively seeking net environmental and social gains, respecting human rights, and continual improvement in all CNF operations and practices.

CNF commits to the following:

- Ensuring that all grants are prepared and operate in accordance with national legislation in the host country;
- Screening all grants against the CNF exclusion list (**Section 2** of the ESMS Manual);
- Screening all grants for potential environmental and social risks and negative impacts;
- In grants that potentially involve moderate, substantial, high risks or negative impacts, such as (but not limited to) economic displacement due to access restrictions, security impacts on local communities related to patrolling and law enforcement, labour and working conditions, discrimination of vulnerable groups, or cultural heritage, CNF will ally with the Standards stipulated by KfW's Sustainability Guidelines (2022) which include:
 - The World Bank Environmental and Social Standards (WB ESS);
 - World Bank Group's General Environmental and Health and Safety Guidelines and Industry Specific Guidelines, as applicable;
 - BMZ's Guidelines on Incorporating Human Rights Standards and Principles, Including Gender;
 - The United Nations Guiding Principles on Business and Human Rights (UNGPs);
 - International Labour Organisation (ILO) Core Labor Standards;
 - The United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials;
 - The United Nations Code of Conduct for Law Enforcement Officials;
 - The Voluntary Principles (VPs) on Security and Human Rights;
 - The UN Basic Principles and Guidelines on Development-based Evictions and Displacement, namely §§ 42, 49, 52, 54 and 60;
 - The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT);
 - Other relevant good practice Guidelines listed in **Annex D**;

- Conducting robust assessment of risks and impacts commensurate with the significance of the risk or impact;
- Integrating environmental and social considerations from the ESMS Manual into operations;
- Mainstreaming environmental and social sustainability in all supported projects;
- Identifying opportunities for enhancing benefits as well as mitigating negative impacts;
- Including measures to avoid, minimise or compensate for potential E&S risks and negative impacts that arise from supported activities;
- Establishing a Grievance Redress Mechanism (GRM) or Feedback Mechanism for managing grievances that cannot be managed¹ at the level of the individual projects supported;
- Developing procedures, guidance and tools/templates for any required safeguard instruments to manage identified risks and negative impacts, for use by grantees;
- Ensuring that grantees engage directly with affected, potentially affected or interested stakeholders in a transparent, culturally appropriate manner;
- Regular monitoring and evaluation of E&S policy and commitments;
- Maintaining all documentation to facilitate internal and external review against the ESMS;
- Allocating responsibilities and appropriate resources for the effective implementation of the CNF ESMS; Communicating environmental and social expectations internally and externally, as needed.

Procedure

In summary, the ESMS process for CNF PA Grants can be broken down into the following phases:

Phase 1: Pre-financing – assessment of the level of risks of activities to be funded by CNF through grant agreements in accordance with KfW checklist. Based on the assessment if a risk is categorized as low, the corresponding activity can be funded without further E&S mitigation measures. If moderate, substantial or high risks are identified, Environmental and Social Risk Assessment is prepared, which also includes E&S management and monitoring actions for the respective specific activities.

¹ In case all instruments and mechanisms provided by the national legislation have been exhausted.

Phase 2: Grant application – in case of moderate, substantial or high risk of a certain grant application, E&S requirements are integrated into grant agreement and respective management responses are co-designed together with the beneficiaries to be included either in PA management Plans or in CNF's Other Grant Portfolio.

Phase 3: Annual implementation cycle – CNF supports PAs with the implementation of prioritized management responses to identified risks directly under the PA grants and/or under CNF's Other Grants portfolio.

Phase 4: Monitoring – CNF monitors the implementation of E&S requirements and reports to the Supervisory Board and KfW.

For CNF Other grants the ESMS process consists of following phases:

Phase 1. Annual Planning: In this phase, the first step consists of CNF annual planning of Other Grant disbursements through a prioritisation and action planning process. In some instances, such as the UNDP GEF project, the Other Grants will be prioritised through the Project Results Framework or other strategic document. This step is followed by CNF Management Board approval.

E&S procedures in this phase include screening proposed activities against the CNF Exclusion List (**Annex B of the Manual**) and reviewing the proposed activities against the screening checklist results. The outcomes of this screening are to:

- (i) identify if OG activities are linked to E&S risks and/or CNF Exclusions;
- (ii) identify any opportunities for the OG activities to contribute to delivering ESMP management measures.

Phase 2: Procurement: In this phase, CNF develops the ToR for the Other Grant activity and confirms the procurement process according to CNF and KfW's procurement guidelines (direct award by negotiation or closed/open tender), resulting in selection of the implementation partner for the Other Grant services based on CNF scoring criteria.

E&S procedures in this phase include CNF ensuring that:

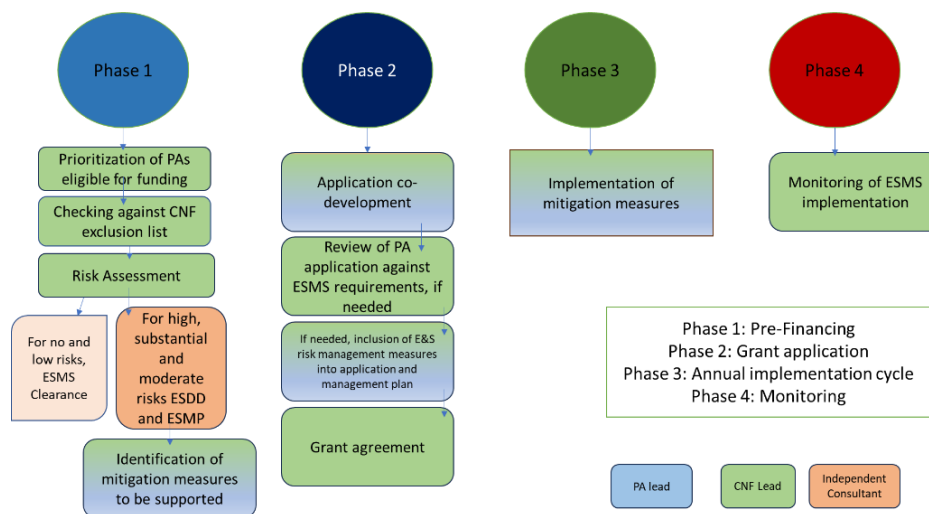
- (i) if E&S risks are identified relevant E&S requirements (e.g. to inform and consult stakeholders in an appropriate manner) are included in the OG ToR;
- (ii) the OG grantees, following the E&S provisions in the ToR prepared by CNF ESMS personnel, have included approaches and any required mitigation measurements commensurate to the categorization of the risk and the size of the grant in their proposed grant implementation methods.

Phase 3: Implementation: In this phase, the OG grantees implement the contracted activities based on the terms of their contract, with emphasis on stakeholder engagement (commensurate with the activities/services) and reporting to CNF on the outcomes.

E&S procedures in this phase might include safeguard tool development, in the event of civil engineering or other physical works that could impact on Natural and Cultural Heritage and/or impact on the Health & Safety of staff, volunteers or community members, and reporting to CNF on any E&S management measures put in place, as part of their general end of contract reporting (currently *ad hoc* with no specific reporting template).

The Figure below summarizes the key E&S steps for both types of grant cycle.

Figure 1: Key E&S steps in the CNF grant cycle



Risk management Strategy

Based on the identified potential E&S risks and negative impacts, and CNF responsibilities, CNF has formulated a risk management strategy.

CNF has identified several mechanisms through which identified risks and negative impacts can be managed. Rather than list out all the risk management measures that could be implemented with the support of CNF, such as consultation events, community outreach and education, supporting on clarification of Protected Area boundaries or fuelwood permitting schemes, there are the key mechanisms through which CNF can design and implement management measures. These include, but are not limited to:

- CNF ESMS = this ESMS Manual and CNF E&S procedures (integrated into the CNF Operations Manual).

- PA grants = integrating additional measures into the grant application via the PA-specific ESMP.
- OG = Other Grants' Call for Proposals and Applications. Integrating additional measures into the ToR and service provider contracts, based on screening results, ESDD and ESMP findings if any. For example, OG could fund consultants to conduct consultations and sensitization events, assessments of particular E&S issues, or facilitate multi-stakeholder workshops.
- SP = Strategic Partnerships and Collaborations with other donors and organisations operating in the landscape. For example, working with existing programmes in the region which could have relevant expertise and resources to address particular E&S issues.

In most cases, there are multiple potential mechanisms.

It is relevant to note that, due to the limits of the CNF Charter and Bylaws, it is possible that the risk assessment process will identify risks and negative impacts that CNF and grantees are unable to appropriately manage using CNF funding due to the limitations on the types of activity that CNF can fund and the need to balance funding operational costs and funding the risk management measures. In these instances, CNF will aim to use its leverage with other projects and with partners to encourage them to adopt ES Risk Assessment recommended management measures into their respective projects and programs.

Operational Requirements

This ESMS will be implemented by CNF, and CNF will work with grantees and other stakeholders to ensure that E&S procedures and needed management plans are developed and implemented. The day-to-day ESMS implementation will be conducted, supported and coordinated by CNF staff. As CNF aims to operate efficiently by maximizing the amount of grants going towards biodiversity conservation and sustainable management of natural resources, the additional costs related to ESMS implementation will aim to be proportionate with the value of the grants.

CNF's Feedback Mechanism

CNF will establish a feedback mechanism, with the purpose of providing affected communities and project affected persons with a mechanism of lodging grievances and any other feedback directly with CNF, in the case that the in-country grievance procedures have not adequately addressed their concerns. Eligible grievances will be those complaints, comments or concerns about activities supported by CNF, within those geographical areas where CNF operates, where there are active grants being supported (or within 18 months of the end of a grant). The CNF grievance mechanism will be included on the CNF website, and will be communicated in CNF stakeholder engagement events, meetings and workshops, to ensure that stakeholders are aware of its existence and function.