

## ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

# ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

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AND IMPACTS



MAR FUND'S ESMS

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# ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

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“ESS 1: Assessment and Management of Environmental and Social Risks and Impacts” is part of MAR Fund’s Environmental and Social Management System (ESMS). Therefore, ESS 1 should be read and understood in conjunction with the other 9 Safeguards and the other documents that are part of the ESMS.

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## • GLOSSARY

AFD	Agence Française de Développement <sup>1</sup>
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung <sup>2</sup>
EbA	Ecosystem-based Adaptation
CAPEX	Capital Expenditure
CSO	Civil Society Organization
CTF	Conservation Trust Fund
Due Diligence	Environmental and Social Due Diligence
EIA	Environmental Impact Assessment
ERP	Emergency Response Plans
ESAP	Environmental and Social Commitment Plan
Escazú Agreement	Regional Agreement on Access to Information, Public Participation, and Justice in Environmental Matters in Latin America and the Caribbean
ES	Environmental and Social
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESPF	Environmental and Social Performance Framework
ESSQ	Environmental and Social (ES) Screening Questionnaire
ESS	Environmental and Social Safeguards

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<sup>1</sup> French Development Agency

<sup>2</sup> Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany.

FB	Fundación Biosfera
FCG	Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala
FC-Measures	Financial Cooperation Measures
FFEM	Fonds français pour l'environnement Mondial <sup>3</sup>
FI	Financial Intermediary
FMCN	Fondo Mexicano para la Conservación de la Naturaleza
FPIC	Free, Prior, and Informed Consent
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse gas
GMO	Genetically Modified Organism
H&S	Health & Safety
IDB	Inter-American Development Bank
IFC	International Financial Corporation
ILO	International Labour Organisation
ISPM	International Standard for Phytosanitary Measures
IUCN	International Union for Conservation of Nature
JMP	WHO/UNICEF Joint Monitoring Programme for Water Supply, Sanitation and Hygiene
KfW	Kreditanstalt für Wiederaufbau <sup>4</sup>
LGBTQ+	Lesbian, gay, bisexual, transgender, queer (or sometimes questioning) and others. + represents other sexual identities including pansexual and Two-Spirit.
MAR	Mesoamerican Reef
MAR Fund	Mesoamerican Reef Fund
NAP	National Adaptation Plans
NDC	National Determined Contributions

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<sup>3</sup> French Facility for Global Environment.

<sup>4</sup> Reconstruction and Credit Corporation of the Federal Republic of Germany.

## MAR Fund – ESMS

NGO	Non-Governmental Organization
OH&S	Occupational Health & Safety
PACT	Protected Areas Conservation Trust
PPE	Personal Protective Equipment
PS	Performance Standards
RfP	Request for Proposals
SEA	Sexual Exploitation and Abuse
SECF	Stakeholder Engagement and Communication Framework
SECP	Stakeholder Engagement and Communication Plan
SGBV	Sexual and Gender-Based Violence
SIA	Social Impact Assessment
The Policy	MAR Fund's Environmental and Social Policy
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN Protocol	United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners
WASH	Water, Sanitation, and Hygiene

## **1 ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS & IMPACTS**

### **1.1 INTRODUCTION**

1. The “**ESS 1: Assessment and Management of Environmental and Social Risks and Impacts**” (ESS 1) embodies the Environmental and Social Policy (the Policy) of MAR Fund and constitutes the backbone of MAR Fund’s Environmental and Social Management System (ESMS).
2. The ESMS includes other nine Safeguards whose applicability derives from this ESS and is decided upon during the Environmental and Social Due Diligence performed, primarily, by the proponent and, secondarily, by MAR Fund.
3. The application of the ESS 1 is supported by different tools, including the Environmental and Social Screening Questionnaire (ESSQ).

#### **1.1.1 OBJECTIVES**

4. The objectives of the ESS 1 are:
  - i.* To facilitate the identification of environmental and social risks and adverse impacts of projects funded by MAR Fund early in the process of proposal-making and approval, and throughout the project implementation cycle.
  - ii.* To implement a mitigation hierarchy to avoid, reduce, and minimize environmental and social risks and potential adverse impacts and, when avoidance is not possible, to mitigate and manage the risks and impacts of projects funded by MAR Fund.
  - iii.* To enhance environmental and social performance of projects funded by MAR Fund.

#### **1.1.2 SCOPE OF APPLICATION**

5. The ESS 1 applies to all projects funded by MAR Fund, regardless of the program or the instrument or “window” used for their delivery. It covers projects and activities both fully and partially financed by MAR Fund. MAR Fund Board of Directors, staff and



consultants, grantees and partners executing projects funded by MAR Fund should apply this Safeguard.

### 1.1.3 DEFINITIONS

6. For MAR Fund's ESMS, the terms presented in this section will have the following meaning. These definitions rely on the World Bank Environmental and Social Framework<sup>5</sup> and other sources:
  - Cumulative impacts are the incremental impacts of the project when added to the impacts of other relevant past, present and reasonably foreseeable developments, as well as unplanned but predictable actions made possible by the project that may occur later in time or at a different location.
  - Direct impact is an impact which is caused by the project and occurs contemporaneously in the location of the project.
  - Environmental and Social risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.
  - Environmental and Social impacts refer to any potential or actual change in (i) the physical, natural, or cultural environment, and (ii) the impact on the surrounding community, including people working on the project, resulting from the project.
  - Indirect impact is an impact which is caused by the activity and is later in time or farther removed in distance than a direct impact but is still reasonably foreseeably caused by the project.

### 1.1.4 ASSESSMENT AND MANAGEMENT TOOLS

7. The following are some of the standard Instruments and tools available to carry out the assessment and management of environmental and social risks and impacts. They should be used in accordance with the nature and scale of the proposed project.
  - Community Health & Safety Plan (CH&S) is a plan to protect communities from hazards caused or exacerbated by the projects, such as pollution, flooding, spread of communicable diseases, employment of security personnel, etc.

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<sup>5</sup> These definitions rely on the World Bank Environmental and Social Framework and other sources that are specified in the text. (Most of the World Bank references are from 2016 World Bank Environmental and Social Framework. World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO)

- Environmental and Social Action Plan (ESAP) is the articulation of all the environmental and social measures and requirements necessary for the project to comply with MAR Fund’s Environmental and Social Policy and Safeguards. It is produced as a result of the environmental and social due diligence. The ESAP is part of the grant agreement between MAR Fund and the grantee.
- Livelihood Restoration and Compensation Plan and the Resettlement Action Plan are instruments to use after the Process Framework is approved.
- Environmental and Social Audit is a procedure for establishing the nature and extent of all areas of environmental and social concern and risk by an existing project and assessing its status, specifically with respect to compliance with the requirements of the ESS. It also identifies appropriate mitigation measures and actions including their costing<sup>6</sup>.
- Environmental and Social Assessment (ESA)<sup>7</sup> is the analysis and planning to ensure the environmental and social impacts and risks of a project are identified, avoided, minimized, reduced, or mitigated throughout the project life cycle.
- Environmental and Social Impact Assessment (ESIA) is an instrument to identify and assess the environmental and social impacts of a proposed project, evaluate alternatives and design appropriate mitigation, management, and monitoring measures. It shall include the development of suitable mitigation measures articulated in an ESMP. It could be a Full ESIA or a fit-for-purpose ESIA.
- The Environmental and Social Code of Practice (ESCOP) is a safeguard instrument that articulates procedures and actions to manage the environmental and social risks and impacts of Activities classified as Category B and Category C that do not require an ESIA by the national legislation. It is a concise instrument that covers labour and occupational health and safety aspects, specific to projects that include small infrastructure construction or refurbishment with minor environmental and social risks and impacts.
- Environmental and Social Management Framework (ESMF) is an instrument that establishes the framework for managing environmental and social risks and adverse impacts of a group of projects or of a project that is composed of various

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<sup>6</sup> The World Bank, ESMF.

<sup>7</sup> The World Bank - Guidance Note for Borrowers.

sub-grants or sub-projects that are unknown or not well defined at the time of evaluating and approving the proposal. Any project with a sub-grant-making framework shall have an ESME.

- Environmental and Social Management Plan (ESMP) is an instrument that articulates in detail the required measures and actions to manage environmental and social risks and adverse impacts of the project and to enhance its environmental and social performance. It is the result of an ESIA.
- Gender Action Plan (GAP) is a set of concerted and articulated actions to close the *gap* between women and men (and LGBTQ+ persons) with regards to roles, responsibilities, activities, and access to and control over resources and decision-making opportunities related to projects approved by MAR Fund. The GAP responds to the requirements set forth by MAR Fund's ESS 9 Gender. It could be a succinct Gender Statement that encompasses the above-mentioned actions or could be a stand-alone document if the risks posed by the project so requires.
- Hazardous Material Management Plan<sup>8</sup> is an articulate set of actions to use, store, or handle any quantity of hazardous materials, defined as materials that represent a risk to human health, property, or the environment due to their physical or chemical characteristics.
- Integrated Pest Management Plan is a set of articulated ecosystem-based actions for effective and environmentally sound pest management while minimising health and environmental risks (including risks to terrestrial and aquatic ecosystems, non-target species and other important ecological resources associated with the use of biocides and other pest management techniques). It comprehends a combination of techniques, including biological control, habitat manipulation, cultural practices and, as a last resort, reasonable and safe use of biocides.
- Occupational Health & Safety (OH&S) Plan is a plan of action to prevent incidents and occupational diseases derived directly or indirectly from a project. The OH&S shall be based on the likelihood and severity of the consequence of exposure to pre-identified hazards. The OH&S Plan shall comply with the national legislation

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<sup>8</sup> General Environmental, Health, And Safety (EHS) Guidelines: Environmental Hazardous Materials Management. (EHS) Guidelines – IFC, The World Bank.

of the country where the project is implemented and with MAR Fund's ESS1 and ESS2 requirements.

- Risk Assessment of Living Modified Organisms (LMOs) is an instrument to inform decision-making regarding LMOs. It consists of a “structured process conducted in a scientifically sound and transparent manner, and on a case-by-case basis in the context of the risks posed by the non-modified recipients or parental organisms in the likely potential receiving environment” to identify and evaluate the potential adverse effects of LMOs<sup>9</sup>.
- Safely Managed Drinking Water and Sanitation Plan is a set of articulated actions intended to ensure safe drinking-water, safe-sanitation, and hygiene services available in the facility that has been built or refurbished as part of a MAR Fund-financed activity. It includes actions to prevent faecal contamination of source waters, preserve water supply, treat the water to reduce or remove contamination, prevent re-contamination during storage, distribution, and handling of drinking water, safely managed sanitary facilities including periodical removal of sanitary sludge, if needed.
- Social Impact Assessment (SIA) is an inquiry focused on social issues, to analyse and understand both intended and unintended social consequences of activities<sup>10</sup>. A SIA may be requested to evaluate risks and impacts related to demographics, economy and livelihoods, gender (including LBTBQ+), health, stakeholders' rights, cultural heritage, etc. It may include a Conflict Analysis if the project is deemed to exacerbate existing conflicts or generate new ones.
- Strategic Environmental and Social Assessment (SESA) consists of the systematic examination of environmental, social, and Climate Change-related risks and potential adverse impacts associated to a *policy*, a *plan*, or a *program*. It includes the eight ESSs. It would be applicable to a project only when the project consists of the development of a [national] policy, plan, or program.
- The Environmental and Social Screening Questionnaire (ESSQ): It is a questionnaire that inquiries about the environmental and social risks and

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<sup>9</sup> Road Map for Risk Assessment of Living Modified Organisms. UNEP/CBD/BS/COP-MOP/8/8/Add.1

<sup>10</sup> By default, an ESIA includes a SIA.

impacts of an activity through a series of questions related to the ESSs, with clear triggers for these ESSs.

- Waste Management Plan is an articulate set of actions to safely manage waste from waste generation to waste disposal for any project that generates, stores or handles waste. It is commonly required for projects that involve construction, refurbishment, or decommissioning of infrastructure.

## 1.2 ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

8. The Environmental and Social Due Diligence (the Due Diligence) consists of the continuous assessment of the environmental and social risks and adverse impacts of a proposed project. The Due Diligence allows for the identification and anticipation of these risks and impacts and for their avoidance, minimization, and/or mitigation in a structured manner.
9. Environmental and Social Due Diligence is performed firstly by the organizations submitting proposals to MAR Fund (which will become MAR Fund grantees) and secondly by MAR Fund. It is performed from the concept-of-a-project stage to the proposal, evaluation, and approval. The environmental and social measures derived from the due diligence are articulated in an Environmental and Social Action Plan (ESAP), which will be implemented throughout the execution of the project.
10. Initially, concepts and proposals are subject to an environmental and social screening (see § 18). Then, an in-depth Environmental and Social Due Diligence (ESDD) is carried out (see § 24 to 29). If the proposal becomes a project, environmental and social monitoring is performed.

### 1.2.1 RISK-BASED CLASSIFICATION

11. As part of the Due Diligence project proposals are classified in terms of their environmental and social risks and potential adverse impacts in one of the following four categories<sup>11</sup> always evaluated on a case-by-case basis:
  - *Category C (Low Risk)*  
Projects with minimal or no adverse environmental and social risks and/or impacts. (These are usually non-area based project).

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<sup>11</sup> Proposals and projects can be reclassified as established in § 12)

- *Category B (Moderate Risk)*

Projects with environmental and social risks and potential impacts that are limited, largely reversible, generally site-specific, and readily addressed through mitigation measures. (Although a case-by-case analysis is required, this may include the construction, renovation or decommissioning of small-scale infrastructure, small-scale restoration and/or rehabilitation activities, and the establishment of protected areas without measures to enforce restrictions on access to natural resources).

- *Category B+ (Substantial Risk)*

Projects that otherwise would be categorized as Category B, except that there is a single environmental and social risk or potential impact that is significant, irreversible, extended, or unprecedented<sup>12</sup>. (Although a case-by-case analysis is required, this may include construction, renovation or decommissioning of major, large-scale or medium-scale infrastructure; medium- and large-scale restoration and/or rehabilitation activities; activities that result in restricted access to resources; employment of children under the age of 14-17; moderate risk of introduction of invasive alien species; establishment of protected areas with measures to enforce restrictions on access to natural resources; and significant, irreversible, widespread or unprecedented risks to the health and safety of people and communities)

- *Category A (High Risk)*

Projects with significantly adverse environmental and social risks to, and potential impacts on, the environment and/or communities. These risks and potential impacts are diverse, extended, irreversible, or unprecedented. (Activities that are on the MAR Fund exclusion list and have a high risk of introducing invasive species).

12. Project proposals and projects may be re-classified by MAR Fund if:

- A concept or a proposal is modified by the proponent and as result the proposal risk is reduced. The modifications can be done following the organization's initiative or following advice from MAR Fund. In this case, MAR Fund will review

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<sup>12</sup> If there is more than one ES risk or potential impact of these characteristics, the project will be classified as Category A.

the initial classification, provided that the modification was done within the RfP's conditions.

- Monitoring of the project's environmental and social performance shows a) an increase of one or more risks beyond the provisions; or b) emerging risks and impacts that were not considered initially.
- If there is a credible grievance related to sexual and gender-based violence (SGBV), including sexual harassment, or sexual exploitation and abuse. MAR Fund will automatically increase the initial classification by a degree. If the project was classified as Category C, it becomes B; if it was B then it becomes B+; if it was already B+ it remains B+ under special watch. This re-classification is meant to be temporary, until the grievance is solved.

### 1.2.2 AREA-BASED AND NON-AREA-BASED PROJECTS

13. With regards to MAR Fund's ESMS there are two types of projects: Area-Based projects and Non-Area-Based projects<sup>13</sup>.
14. The Area-Based projects are projects that provide technical assistance, financial resources, physical infrastructure, equipment, and other resources to be applied totally or partially in a defined geographical location, on land, in the sea, or both). Area-Based projects are implemented *in the territory*.
15. Usually, Area-Based projects are classified as Category B or higher.
16. The Non-Area-Based projects are projects that do not provide technical assistance, financial resources, physical infrastructure, equipment, or any other resources to be applied in a defined geographical location. The Non-Area-Based projects do not involve actions on the ground, are not implemented in the territory and are not intended to produce direct changes on the land or the sea, even though their final purpose may be to bring about attitude, behavioural, or political changes that will have an eventual impact on the land and the sea.
17. Usually, Non-Area-Based projects are classified as Category C.

### 1.2.3 ENVIRONMENTAL AND SOCIAL ASSESSMENT BY THE GRANTEES

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<sup>13</sup> MAR Fund's ESMS borrows the concepts of Area-Based Project and Non-Area-Based Project from the IUCN ESMS' Guidance Note - Assessment, Management and Monitoring of Environmental and Social Risks. Version 1.0 released in October 2020.

18. The grantees (organizations submitting project proposals to MAR Fund) should perform an environmental and social assessment (or initial environmental and social due diligence) to identify the main environmental and social risks and potential adverse impacts of their proposed projects and the potential opportunities to enhance the environmental and social performance of the projects.
19. The initial assessment is performed with the support of a screening tool of the ESMS: the Environmental and Social Screening Questionnaire (ESSQ). Organizations making project proposals will apply the ESSQ to their concepts or proposals and obtain a preliminary risk category and indications on how to proceed with the due diligence process.
20. If the project is deemed to be a Non-Area-Based project, as defined in § 16 above, the screening process is abbreviated. If the project is deemed to be an Area-Based project, as defined in § 14 above, the screening process is not abbreviated and all sections of the ESSQ should be applied
21. The grantee should identify and describe the main stakeholders of the proposed project. It should include those who may oppose, those who support, and those affected by the activities. This stakeholder identification will establish whether Indigenous Peoples and Traditional Local Communities are participating in the proposed project, are present in the area, or are -or may be- affected otherwise by the proposed project's activities.
22. With this initial assessment the proposed project will be classified in one of the four Risk Categories presented in § 11. Projects classified in Category A: High Risk should not be presented for consideration to MAR Fund as they are in the MAR Fund's Exclusion List.
23. The assessment and the resulting categorization indicate the type of environmental and social measures and requirements needed. This is presented in detail in points 3.3.1, 3.3.2, and 3.3.3. When there is a concept-paper stage in the project approval process, these inquiries should be listed but no further action is expected from the organization making the proposal until MAR Fund approves the Concept. When there is not a concept-paper stage (just full proposals are requested), the organization making the proposal is expected to carry out the inquiries that are necessary to inform the approval process and to include an action plan to do the pending inquiries.



The ESSQ will help grantees to determine whether an inquiry is required before or after the approval process.

#### 1.2.4 ENVIRONMENTAL AND SOCIAL DUE DILIGENCE BY MAR FUND

24. MAR Fund will review the assessment conducted by the organization proposing the project and carries out an in-depth environmental and social due diligence to all proposed projects to identify, anticipate, avoid and/or minimize risks and adverse impacts. In cases where avoidance and mitigation are not possible, the in-depth due diligence indicates the measures to mitigate the risks and adverse impacts, and eventually to compensate for these remaining adverse impacts.
25. MAR Fund screens all the proposed projects against the Exclusion List. If a proposed project activity is included in the Exclusion List, MAR Fund ends the approval process. If just some non-essential activities of the project are included in the Exclusion List, MAR Fund at its sole discretion can do any of the following:
  - end the approval process, or
  - continue with the approval process excluding these activities from the project, or
  - return the proposal to the proponent organization for changes to the non-essential activities that are in the Exclusion List.
26. If the due diligence carried out by MAR Fund indicates that the probability and severity of the identified risks and potential adverse impacts are too high to approve the proposed project (Category A), MAR Fund ends the approval process and informs the proponent of the reasons for not approving it.
27. MAR Fund performs the Due Diligence by applying the ESSQ. The first step in doing so is to ascertain whether the project is an Area-Based project or a Non-Area-Based project, as it is established in § 13 to 17 above. The ESSQ may indicate that the proposed project triggers one or more of MAR Fund's ESSs. In that case, MAR Fund verifies that requirements of the ESSs are satisfied. Usually, the ESSQ indicates which of the requirements should be satisfied before or after the approval of the project.
28. If during the Due Diligence process, a risk of sexual and gender-based violence (SGBV) and harassment, including sexual exploitation and abuse, or a risk of child sexual exploitation and abuse, or any other risk and adverse impact based on sexual orientation and gender identity is identified, both, grantees and MAR Fund, must

follow the procedures established in ESS 9: Gender (11.2.1 *Sexual Exploitation and Abuse*).

### 1.2.5 MARKERS FOR RISK CLASSIFICATION

29. The following markers of environmental and social risks and potential adverse impacts that are integrated in the ESSQ, can guide the risk classification of proposed projects. This list is not exhaustive. Each proposed project should be assessed individually.
30. Proposals (or projects) involving any of the following characteristics cannot be classified as Category C (Low Risk) and should be classified at least as Category B (Moderate Risk). Some of them may indicate a Category B+ (Substantial Risk) project (see § 31).
- Establishment of a Protected Area without measures to enforce restrictions to access to natural and cultural resources.
  - Tourism development.
  - Projects involving risks of polluting the environment and/or the storage, transportation of hazardous goods, and/or activities producing degradation, sedimentation, erosion of soil.
  - Projects involving infrastructure construction, refurbishment, or decommissioning.
31. Proposed projects involving one of the following characteristics shall be classified as Category B+ (Substantial Risk)<sup>14</sup>. This is not an exhaustive list, and each case should be assessed individually. A proposed project classified as Category B+ could be re-classified following the procedure established in § 12. If a proposed project involves more than one of the following characteristics, it should be classified as Category A (High Risk):
- Limited Involuntary resettlement<sup>15</sup>.
  - Changes in the use of the territory that extensively affect Indigenous Peoples and Traditional Local Communities.

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<sup>14</sup> See the ESSQ for further guidance.

<sup>15</sup> If it involves large involuntary resettlement the proposed project falls into the Exclusion List.

- Establishment of a Protected Area, including measures to enforce restrictions to access to natural resources.
- Significant, irreversible, extended, or unprecedented H&S or security risks of people and communities.

### 1.3 PROCEDURES FOR THE ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

32. The procedures for the assessment and management of the environmental and social risks and impacts of proposed projects shall be commensurate to the identified risks and impacts and the characteristics and dimension of the project. These procedures vary from one risk category to another. When the risk category of a project increases, the procedures applicable to the new risk category shall be followed.

#### 1.3.1 PROCEDURES FOR CATEGORY C-PROJECTS

33. When the proposed project is classified as Category C (Low Risk) because it has minimal or no adverse environmental and social risks and/or impacts, the Due Diligence is abbreviated, and MAR Fund can accord Environmental and Social Readiness Status to the proposed project – meaning that the proposed project is ready in environmental and social terms for approval – after the subsequent procedures are followed:
- A. The grantee satisfies the ESS 2: Labour and Working Conditions requirements.
  - B. A Gender Action Statement or a Gender Action Plan (GAP) is prepared as needed<sup>16</sup> and put into practice, following MAR Fund’s **ESS 9: Gender**. The Gender Statement could be as simple as a brief document explaining the gender-related challenges and opportunities and the actions to manage these challenges and seize these opportunities in the execution of the project.
  - C. A Stakeholder Engagement and Communication Plan (SECP), including an Information Disclosure Matrix and a Grievance Mechanism, is prepared in a manner satisfactory to MAR Fund’s **ESS 10: Stakeholder Engagement, Information Disclosure, and Participation**.

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<sup>16</sup> MAR Fund’s ESS 9: Gender will guide the grantee to decide whether to formulate a Gender Plan or just a Gender Statement.

- D. Any specific action or measure derived from the application of the Screening Questionnaire (ESSQ) is integrated into the project.
  - E. Environmental and Social Performance Monitoring is included as part of the required regular Monitoring and Evaluation Plan of the project.
34. The environmental and social measures and requirements of the project shall be articulated in an Environmental and Social Action Plan (ESAP) of the project by the grantee under the basis of the requirements set forth by MAR Fund. The ESAP will be included in the project agreement to be signed between MAR Fund and the grantee. MAR Fund will monitor the environmental and social performance of the project on a regular basis. If the project is re-classified as established in § 12, the new risk classification may dictate additional procedures to follow.

### 1.3.2 PROCEDURES FOR CATEGORY B-PROJECTS

35. When the proposed project is classified as Category B (Moderate Risk), the mitigation hierarchy should be applied to avoid as many risks and impacts as possible, to minimise the remaining risks and impacts, and finally to mitigate and manage the residual environmental and social potential adverse impacts. As these risks and impacts are limited, largely reversible, generally site-specific, and readily addressed through mitigation measures, in most cases the organization proposing the project will be able to use the environmental and social assessment instruments and tools directly without the participation of external parties. In some cases, MAR Fund may require the participation of external parties.
36. In most cases, Category B projects require an Environmental and Social Code of Practice (ESCOP). Guidance related to the ESCOP is provided in point 3.3.6 *Procedures related to the ESCOP*. Usually, Category B-projects for which the national legislation does not require an ESIA would require an Environmental and Social Site Risk Assessment and an ESCOP. This applies specially to projects involving small infrastructure works and/or sustainable use of living resources.
37. In a few cases, some Category B-projects may require an ESIA either because the national legislation requests it or because the project triggers some of MAR Fund's ESSs that make an ESIA necessary. This is to be determined on a case-by-case basis.
38. When the assessment is complete -either with an Environmental and Social Site Risk Assessment and an ESCOP or with an ESIA and an ESMP-, MAR Fund can accord

Environmental and Social Readiness Status to the proposed project – meaning that the proposed project is ready in environmental and social terms for approval – after the requirements established above in *point 33 A., B., and C., and in point 34* are satisfied<sup>17</sup> and the grantee establishes an organizational structure that defines roles, responsibilities, authority, workplan, and budget to implement the ESCOP / ESMP.

### 1.3.3 PROCEDURES FOR PROJECTS CATEGORY B+

39. When a proposed project is classified as Category B+ (Substantial Risk), it is required to carry out an ESIA to analyse and appraise the environmental and social risks and adverse impacts of the project, especially the risk or impact that is diverse, extended, irreversible, or unprecedented.
40. The scope and depth of the ESIA are determined on a case-by-case evaluation. It could be a full ESIA or a fit-for-purpose ESIA (a study that focusses on specific predetermined environmental and social issues of the project). It shall be carried out by a recognised third party acceptable to MAR Fund. The ESIA study will inform the formulation of an Environmental and Social Management Plan (ESMP).
41. When the ESIA, the ESMP, and any other necessary study are completed and reviewed by MAR Fund, the proposed project will be ready for approval. Then, the grantee will satisfy the requirements established above in *points 33 A., B., and C., and 34* and establish an organizational structure that defines roles, responsibilities, authority, workplan, and budget to implement the ESMP.
42. In the case of Small Grants' proposals, if the proposal is eligible and the Grants and Evaluation Committee approves it, it will be possible to include the ESIA and other necessary studies as part of the project. Once the proposal is approved, the grantee will carry out the ESIA and other studies. MAR Fund will disburse the funds after approving the ESIA. The grantee must satisfy the requirements established above in *points 33 A., B., and C., and 34*.
43. The environmental and social measures and requirements of the project shall be articulated in an Environmental and Social Action Plan (ESAP) of the project. The ESAP will be included in the project agreement to be signed between MAR Fund and the

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<sup>17</sup> The requirements of MAR Fund's ESS 2 are satisfied, a Gender Action Statement or a Gender Action Plan (GAP) is prepared as needed and put in practice., and a Stakeholder Engagement and Communication Plan (SECP), including an Information Disclosure Matrix and a Grievance Mechanism, is prepared.

grantee. For Category B+ Projects the monitoring field visits by MAR Fund staff are mandatory.

#### 1.3.4 PROCEDURES FOR CATEGORY A-PROJECTS

44. When the proposed project is classified as Category A (High Risk) the Due Diligence ends, as projects of this category are excluded from MAR Fund funding. The proposal may be re-classified by MAR Fund following the procedure established in § 12.

#### 1.3.5 PROCEDURES RELATED TO THE ESIA

45. The ESIA is an instrument to identify and assess the environmental and social impacts of a proposed project, evaluate alternatives and design appropriate mitigation, management, and monitoring measures.
46. ESIA's shall be conducted in line with the requirements of the national legislation of the country or countries where they are implemented. Organizations proposing projects are encouraged to consult the National Legislation Overview<sup>18</sup> that is part of MAR Fund's ESMS to establish the legal framework applicable to their projects.
47. The scope and depth of the ESIA is determined on a case-by-case evaluation. It could be a full ESIA, or it could be a fit-for-purpose ESIA (a study that focusses on specific predetermined environmental and social issues of the project). The grantees are encouraged to use the ESIA format that is available in the Annex section of this document and in the MAR Fund website.
48. The ESIA shall include at least the following elements:
  - Identification and assessment of the environmental and social risks and adverse impacts.
  - Baseline of the affected area and community.
  - Appropriate alternatives to avoid the risks and adverse impacts.
  - Appropriate alternatives to minimise the remaining risks and adverse impacts.

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<sup>18</sup> Available at MAR Fund's website.

- Identification of suitable actions to mitigate the residual impact, including actions to *compensate* for any loss in natural habits or biodiversity as well as in livelihoods or cultural heritage.
  - Identification of opportunities for the project to enhance positive environmentally and socially relevant impacts.
  - Procedures for monitoring of environmental and social aspects (development, effectiveness of mitigation measures) during implementation and operation of the project, including compliance with relevant ESSs.
49. While conducting an ESIA the best available science and relevant traditional ecological knowledge shall be used, on a cost-effective basis. During the execution of the ESIA it is necessary to conduct community participatory consultations in a manner that is satisfactory to MAR Fund's ESS 10 Stakeholder Engagement and Information. It includes early disclosure of the Terms of Reference of the ESIA with potentially affected communities and other stakeholders; disclosure of the ESIA report; and disclosure of an executive summary of the ESIA that presents the main findings and recommendation of the study in a non-technical way, in a language that is easily understandable by affected communities and other stakeholders.
50. During the ESIA, special attention should be paid to vulnerable or disadvantaged stakeholders, who are more likely to be affected by the project's impacts and have more limitations to take advantage of its benefits. These stakeholders are also at risk of being excluded from consultation processes. MAR Fund's EES 10 Stakeholder Engagement and Information provides guidance on this issue.
51. The ESIA must be reviewed and approved by MAR Fund prior to the signature of the grant agreement with the grantee.

#### 1.3.5.1 ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN (ESMP)

52. The Environmental and Social Management Plan (ESMP) integrates actions to avoid, minimize, mitigate and/or compensate for the environmental and social impacts of the project. It also includes activities to monitor compliance with the safeguard policies triggered by the project. It also includes measures to strengthen the institutional capacity of the grantees to implement the required actions. The ESMP articulates the required actions, responsibilities for implementation, training if

needed, implementation schedule and cost estimates. Templates for ESMPs are available in the Annexes section of this document and on the MAR Fund website.

53. The ESMP shall respond to the specific needs of vulnerable and disadvantaged stakeholders. This may include the adoption of differentiated mitigation measures designed to avoid the impacts of the project falling on them disproportionately. It may also include the adoption of differentiated measures to avoid discrimination and overcome additional barriers preventing these stakeholders from accessing the benefits derived from the project.
54. When the proposed project includes sub-grants that are unknown or not well defined when the project is analyzed and approved, instead of the ESMP the organization proposing the project should prepare an **Environmental and Social Management Framework (ESMF)** that will apply to all the sub-grants or sub-projects.
55. The ESMF includes the principles, the guidelines, and the procedures to follow with regards to the sub-grants or sub-projects. The ESMF contains measures and plans to avoid, minimise, mitigate, and at the last resort compensate for environmental and social adverse impacts, and enhance the project's environmental and social performance. It may include schedules and estimated budgets.
56. The ESMP (and the ESMF if there is one) must be reviewed and approved by MAR Fund prior to the signature of the project agreement with the grantee.

#### 1.3.6 PROCEDURES RELATED TO THE ESCOP

57. The ESCOP articulates procedures and actions to manage the environmental and social risks and impacts of Activities classified as Category B and Category C that do not require an ESIA by the national legislation. It is a concise instrument that covers labour and occupational health and safety aspects.
58. The ESCOP is especially fitted for projects that include small infrastructure construction or refurbishment with minor environmental and social risks and impacts, and small harvesting of forests, horticulture, and aquaculture. ESCOP formats are available in the Annex section of this document and the MAR Fund website.
59. The ESCOP shall include at least the following elements:



- Identification and assessment of the environmental and social risks and adverse impacts.
- Identification of suitable alternatives to avoid, minimise, mitigate, and manage the residual risks and adverse impacts.
- Identification of opportunities for the project to enhance positive environmentally and socially relevant impacts.
- Procedures for monitoring of environmental and social aspects during implementation and operation of the project.

### 1.3.7 PROCEDURES RELATED TO THE ESAP

60. The **Environmental and Social Action Plan (ESAP)** is an instrument that articulates in detail the required environmental and social measures and actions to manage environmental and social risks and adverse impacts of a project and to enhance its performance in full compliance with MAR Fund’s ESSs. It is produced as a result of the environmental and social due diligence. The ESAP is part of the project agreement between MAR Fund and the grantee.
61. The ESAP fulfills the requirements of the Environmental and Social Commitment Plan requested by some funding organizations and Multilateral Development Banks.
62. The ESAP’s minimum content is presented in Table 1: ESAP Content. An ESAP format is available in the Annex section of this document and the MAR Fund website.

**Table 1: ESAP Content**

ESAP CONTENT	CATEGORY		
	C	B	B+
Conditions of employment and other working conditions related to the project <sup>19</sup>	√	√	√

<sup>19</sup> As established by MAR Fund’s ESS 2: Labour and Working Conditions.

Gender Statement/Gender Action Plan (GS/GAP)	√	√	√
Stakeholder Engagement and Communication Plan (SECP)	√	√	√
Information Disclosure Matrix	√	√	√
Grievance Mechanism	√	√	√
Environmental and Social Commitment Plan (ESCP)	√	√	-
Environmental and Social Management Plan (ESMP)	-	-	√
Procedures for monitoring of environmental and social aspects (development, effectiveness of mitigation measures)	-	√	√
Any specific Action Plan required to comply with relevant ESSs	-	√	√

#### 1.4 STAKEHOLDER ENGAGEMENT AND COMMUNICATION PLAN

63. Projects approved by MAR Fund should have a Stakeholder Engagement and Communication Plan (SECP) and satisfy all the requirements set out in the **ESS 10: Stakeholder Engagement, Information Disclosure, and Participation**<sup>20</sup>.
64. The SECP is formulated upon the prior stakeholder identification of the proposal and requires identification and analysis of stakeholders throughout the project cycle. For Category C (Low Risk) projects the SECP may be part of the ESAP and not a stand-alone document.
65. The SECP is intended to:
- a. Increase trust between grantees, communities, and other stakeholders.
  - b. Ensure that stakeholders' interests and concerns, are duly considered.

<sup>20</sup> The ESS 10 provides further guidance about the SECP. MAR Fund's ESMS provides a format to elaborate the SECP.

- c. Facilitate meaningful consultation.
  - d. Facilitate information disclosure and compliance with national legislation<sup>21</sup>.
  - e. Manage project-related grievances through the *Grievance Mechanism*.
  - f. Increase transparency in all activities related to projects approved by MAR Fund.
  - g. Increase community engagement, especially of vulnerable, disadvantaged groups.
66. MAR Fund requires equitable participation of people of all genders in the stakeholder engagement related to projects, both at the proposal stage and at the project-execution stage, and especially during consultations. The grantees will ensure that the consultation process reflects the concerns of people of all genders, gender identities, and sexual orientations without discrimination based on gender or sexual orientation. Especial attention shall be given to LGBTQ+ persons.

#### 1.4.1 CONSULTATION

67. Consultation on proposals/projects funded by MAR Fund supports the implementation of the rights of access to environmental information, public participation in the environmental decision-making process, and access to justice in environmental matters, in the spirit of the Escazú Agreement. MAR Fund's **ESS 10: Stakeholder Engagement, Information Disclosure, and Participation** explains how consultation shall be carried out in projects funded by MAR Fund.
68. Consultation must be meaningful. It must provide opportunities for stakeholders to express their opinions about the proposed project in a manner that is free from fear of reprisals, negative consequences on their potential participation in the project activities, or any other retaliatory action. Stakeholder's views, opinions, and concerns shall be duly considered in the final design of the project.
69. The extent and intensity of consultation is commensurate to the environmental and social risks, potential adverse impacts, and opportunities of the proposed project. Minutes of the meetings, photos, videos, among others, constitute evidence of the consultations acceptable to MAR Fund.

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<sup>21</sup> Refer to the MAR Fund's National Legislation Overview for information about applicable national regulations.

#### 1.4.2 INDIGENOUS PEOPLES AND LOCAL TRADITIONAL COMMUNITIES

70. To the effects of MAR Fund's ESMS, the term Indigenous Peoples and Local Traditional Communities mirrors the World Bank's definition of "*Indigenous Peoples/Saharan African Historically Underserved Traditional Local Communities*"<sup>22</sup>. For further guidance refer to MAR Fund's **ESS7: Indigenous Peoples and Local Communities**.
71. Indigenous Peoples and Local Traditional Communities may be referred to in the MAR Region by such terms as original peoples (*pueblos originarios*), autochthonous peoples (*pueblos autóctonos*), residents of indigenous counties (*comarcas*) or reserves (*resguardos*), or any other formally recognized indigenous peoples in Latin America<sup>23</sup>.

#### 1.4.3 FREE, PRIOR, AND INFORMED CONSENT (FPIC)

72. In case Indigenous Peoples and Traditional Local Communities are participating and will or may be affected by the proposed project, the consultation process must seek their **Free, Prior and Informed Consent (FPIC)** in a manner that is consistent with MAR Fund's **ESS7: Indigenous Peoples and Local Communities**. The Environmental and Social Screening Questionnaire (ESSQ) and the ESS 7 help establishing when FPIC is required.
73. *Free* means that the consent is voluntary, independently decided upon, without coercion or intimidation or manipulation. *Prior* means that the consent is sought before the project is approved, following the pace of the Indigenous Peoples own decision-making process. *Informed* means that Indigenous Peoples and other Local Communities have clear, consistent, culturally appropriate, transparent information about the project, delivered in their languages, available in their locations.

#### 1.4.4 INFORMATION DISCLOSURE

74. Accurate, timely, and culturally appropriate information is essential for adequate stakeholder engagement and informed participation. For this reason, MAR Fund's grantees and organizations submitting proposals to MAR Fund will actively disclose information related to their proposals and projects.

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<sup>22</sup> ESS 7 *Indigenous Peoples/Saharan African Historically Underserved Traditional Local Communities* [2016. "World Bank Environmental and Social Framework." World Bank, Washington, DC.] License: Creative Commons Attribution CC BY 3.0 IGO.

<sup>23</sup> IDB Environmental and Social Policy Framework (IDB ESPF), ESPS 7: Indigenous Peoples.

75. The grantees and organizations submitting proposals to MAR Fund will disclose information about their projects or proposals in a way that satisfies the minimum requirements of information disclosure set forth by the Information Disclosure Matrix presented in the ESS 10 (*point 12.2.5 Information Disclosure* of this document)

#### 1.4.5 GRIEVANCE MECHANISM

76. MAR Fund has a Grievance Mechanism to receive and manage grievances, address concerns, and facilitate resolution of complaints with regards to the environmental and social performance of projects funded by MAR Fund and of any other activity financed by MAR Fund. This mechanism is described in the ESS 10 (*point 12.2.7 Grievance Mechanism at MAR Fund* of this document.)
77. MAR Fund requires all its projects to have a functional similar mechanism. This type of mechanism is especially important when the execution of projects fails to comply with MAR Fund's Policy, its ESSs and its ESMS. The requirements for this type of mechanism are presented in the ESS 10 (*point 12.2.8 Grant-Level Grievance Mechanism* of this document)
78. When a grantee has in place its own grievance mechanism, MAR Fund can agree to use it for a MAR Fund-financed project, provided that it satisfies this Safeguard.
79. The Grievance Mechanism must be easily accessible to participating stakeholders, affected stakeholders, and other stakeholders. It must operate in the languages most used by the stakeholders, which includes Spanish, English, and, in some locations, traditional languages spoken by most of the population. The Grievance Mechanism must process grievances on an effectively timely, and culturally appropriate manner.
80. The Grievance Mechanism must allow for the reception and processing of confidential and anonymous complaints. The responses produced by the mechanism must be discrete, objective, and sensitive with the *complainer*.
81. The Grievance Mechanism does not preclude any legal recourse (or other type of action) related to the execution of a project to which an aggrieved party may feel entitled to, or that MAR Fund may find appropriate. Equally, the reception and processing of grievances by grantees or by MAR Fund do not imply recognition of fault by any of them.

### 1.5 COMPLIANCE WITH ESAP COMMITMENTS

82. Grant recipients are required to monitor compliance with ESAP commitments, including any ESS requirements that may have been triggered by the project. The grantees are required to report regularly to the MAR Fund on compliance with environmental and social measures as part of their regular reporting arrangements.
83. MAR Fund may verify the abovementioned compliance at any time at its sole discretion with the means it considers necessary.
84. In the event of a deviation from the commitments set forth in the ESAP or in the event of non-compliance with these environmental and social commitments, the grantee must adopt a Remediation Plan approved by MAR Fund. Likewise, it must report on the remediation actions, in accordance with the provisions of said Plan. MAR Fund may withhold previously agreed payments if it is considered that this measure favors the achievement of a prompt remediation. Sustained noncompliance with ESAP commitments or any other environmental and social risk and impact management actions previously agreed to by the beneficiary is cause for suspension of the project.
85. Failure to remediate the sustained non-compliance by the grantee is a cause for termination of the grant agreement.

\*\* \*\* END OF ESS 1 \*\* \*\*

\*\*\*\* END OF DOCUMENT \*\*\*\*

