

Annex 6: Environmental and Social Management Framework

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1 EXECUTIVE SUMMARY

The programme is designed to accelerate the development and volume of local climate change projects in Latin America to reduce greenhouse gas emissions, within the energy and land use sectors, by helping market actors overcome key barriers to creating viable projects. The document presents the Environmental and Social Management Framework for the programme.

The Environmental and Social Management Framework (ESMF) describes how the environmental and social impacts and risks of the programme will be managed and supervised when funding from CAF-GCF is accessed. This ESMF for the proposed programme has been established in accordance with CAF's Environmental and Social Safeguards Policy and GCF's Environmental and Social Safeguards. CAF's social and environmental safeguards are the following:

1. S01: Evaluation and management of environmental and social impacts
2. S02: Utilization of renewable natural resources
3. S03: Conservation of biological diversity
4. S04: Pollution prevention and management
5. S05: Cultural Heritage
6. S06: Ethnic Groups
7. S07: Resettlement
8. S08: Working Conditions and Training
9. S09: Gender Equity

The GCF has provisionally adopted the IFC Performance Standards of the International Financial Corporation (IFC). IFC Performance Standards are comprised of 8 standards that cover the main environmental and social considerations that must be safeguarded when designing and implementing a project or programme. During CAF accreditation to the GCF, CAF's environmental and social safeguards were re-viewed by the GCF and it was confirmed that they are fully aligned with the ESS of the GCF.

The programme has been designed to ensure alignment with national policies and regulations in the programme countries: Panama, Ecuador, Peru, and Chile. In addition, the programme measures will further have strong synergies with other international conventions and the commitments of participating countries.

The programme is designed to accelerate the development and volume of local climate change projects in Latin America by helping market actors overcome key financial and knowledge barriers to creating viable projects. The programme activities are designed to produce outputs leading to core GCF outcomes and expected results. These outputs include:

- Output 1.1. Financially viable local climate change projects are identified and financed.
- Output 2.1. Climate change and mitigation awareness raised.

- Output 2.2. Enabling environment for the development of mitigation projects.
- Output 2.3. Technical support and capacities of LFIs, SMEs and TSPs built.
- Output 2.4. Dissemination and learning reinforced.

Overall, it is expected that the programme presents a low to moderate risk, financing only Category C and B risk projects. High risk 'Category A' projects will be excluded. A list of excluded projects that will not be eligible for financing. Project-level investments are likely to have limited environmental and social impacts, which are typically site-specific and limited to the project's direct footprint. Such risks and impacts are not unprecedented in participating countries, and impacts are neither irreversible nor cumulative in nature. Projects supported by the CAF-GCF programme are expected to generate primarily positive environmental and social impacts. In terms of climate benefits, the programme will support emission reductions around 683,549 tCO₂eq per year. This is particularly relevant given that energy and land use are often among the largest emitters of greenhouse gases in the participating countries. It promotes the overall transition to low-carbon development pathways by over-coming key barriers that LFIs and project developers face for funding and implementing climate change projects in the energy and land use sectors in Latin America. The programme will not finance projects that may cause significant negative impacts and that imply a high risk to the physical, territorial, economic and cultural integrity of an ethnic group.

The programme will apply the standard procedures established by CAF for monitoring and evaluation of investment operations. Based on the proposed results and a monitoring and evaluation plan to be agreed between CAF and participating LFIs, the evolution of indicators should be reported periodically during programme execution. In coordination with CAF, participating LFIs will compile and maintain all information, indicators, and parameters necessary for the preparation of Program reports, including annual reports, midterm review and final evaluation.

A gender responsive M&E framework has been developed for the project, which will work with LFIs to track monitor and evaluate the impact of the program and its project-level investments on gender. Tracked indicators include, among others, the percentage of female-owned SMEs accessing credit, the number of men and women who have accessed trainings, among various other indicators.

The budget for the implementation of the ESMF is estimated in more than USD\$ 1,500,000. CAF continues to fine-tune its environmental and social management systems, advancing its systems to reflect the dynamic advances related to climate change projects and the financial sector. It has a strong working relationship with LFIs across Latin America and works together with such institutions as well as project developers towards overcoming key barriers in financing sustainable investments. Together CAF and participating LFIs will ensure that comprehensive and robust environmental and social screening and management systems are in place, and program activities and investments are closely monitored, evaluated, and reported in terms of social and environmental impacts.

2 INTRODUCTION

2.1 Background and Project Objectives

This document comprises the Environmental and Social Management Framework for the CAF-GCF programme “Green Climate Financing Facility for LFIs in Latin-America” (hereby referred to as ‘*the programme*’).

The programme is designed to accelerate the development and volume of local climate change projects in Latin America to reduce greenhouse gas emissions, within the energy and land use sectors, by helping market actors overcome key barriers to creating viable projects. CAF will achieve this by helping local market actors overcome key barriers to local project development, including financial barriers – for example, smaller businesses do not have trusted relationships with mainstream commercial banks – as well as knowledge barriers, such as that LFIs do not know how to assess projects. The programme will make available to LFIs a Green Finance Credit Line; it will also implement ten grant-funded activities with a focus on awareness raising and technical support, including: climate change and mitigation awareness raising, matchmaking between LFIs, Technology and/or Solution Providers (TSP), and SMEs (including farmers); performance based payments for TSPs; technical support and capacity building for LFIs, SMEs and TSPs; and dissemination and learning.

For this programme, CAF proposes to target Panama, Ecuador, Peru and Chile, which have a combined population of 72 million inhabitants. Each country was selected based on: the strength of its existing climate policy; energy and land use project market sizes; uncrowded financial markets for local climate change projects, and; the strength of existing CAF relationships (especially with LFIs). Pending the success of this programme, the programme could be replicated in other Latin American countries and in other regions considering that the market barriers to local climate change projects are similar across the globe – a fact that has resulted in only 11% of climate change project funding reaching local populations from 2003-2015.¹

2.2 Objectives of the ESMF

The Environmental and Social Management Framework (ESMF) describes how the environmental and social impacts and risks of the programme will be managed and supervised when funding from CAF-GCF is accessed. This ESMF for the proposed programme has been established in accordance with CAF’s Environmental and Social Safeguards Policy and GCF’s Environmental and Social Safeguards. The ESMF presents the general context of the programme, the expected impacts and risks of the projects, the minimum requirements for the mitigation measures and management plans as well as the capacity, roles and responsibilities, appraisal and supervision

¹ Soanes and Shakya 2016

processes and resources available to manage the risks of the institutions involved in financing the projects under the programme.

CAF will maintain supervision responsibilities in accordance with the Accreditation Master Agreement (AMA) with regard to the programme. At the programme level, relevant CAF environmental and social safeguard standards will be applied in accordance with the AMA. When relevant, sector guidelines and good international industry practice, such as the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability, will also be applied.

3 ENVIRONMENTAL AND SOCIAL STANDARDS

3.1 CAF standards

CAF's strategy for environmental sustainability and climate change promotes a paradigm shift towards low-carbon and climate-resilient economies with green infrastructure and a transformation to sustainable production systems, through the provision of technical, financial and knowledge resources to countries to support the implementation of the United Nation's Agenda 2030.

CAF ensures that all of the operations it finances comply with national legislation, and that all operations and activities are in accordance with the highest international standards in the management of environmental and social risks and climate change. For this, institutions accessing CAF resources must apply a set of environmental and social safeguards that integrate the principles postulated by CAF in matters of social and environmental sustainability and climate change.

CAF's social and environmental safeguards² have been designed with the objective to:

- Prevent mitigate and/or compensate adverse impacts for the population and the environment
- Consider climate risks at the project level, in a transversal way within its operations.
- Encourage the participation of stakeholders.
- Conserve biological diversity and natural habitats.
- Promote the sustainable use of natural resources and ecosystem services.
- Avoid and minimize negative impacts on people's health, biodiversity and ecosystems through the prevention of pollution.
- Recognize, protect and value the cultural heritage of the region.
- Ensure compliance with international commitments regarding rights of indigenous peoples and other minorities and vulnerable groups.
- To ensure compliance with the regulations regarding working conditions.

These safeguards contribute to the promotion of sustainable development, seeking to increase competitiveness, reduce social lags, stop environmental deterioration, support economic development and green-growth, and improve the living conditions for the inhabitants of Latin America. Considering climate change is one of the greatest global challenges, these measures further allow to strengthen mitigation and adaptation actions that seek to promote environmental, social and economic sustainability within the region.

The following Table provides an overview of the nine environmental and social safeguards established by CAF:³

² For additional information refer to: <https://www.caf.com/media/5614351/salvaguadas%20ambientales%20y%20sociales%20caf.pdf>

³ CAF 2016a

Table 1: Overview of CAF’s Environmental and Social Safeguards

CAF Environmental and Social Safeguard	Description
S01: Evaluation and management of environmental and social impacts	<ul style="list-style-type: none"> ▪ CAF establishes the need to carry out i) environmental and social assessments of operations, ii) the evaluation of risks derived from climate change, iii) the design, implementation and follow-up of environmental and social management measures associated with the operation, and iv) strengthening of the informed, active and timely participation of the inhabitants of the areas of influence in the operations that it supports. ▪ All projects financed by CAF are in accordance with the environmental legislation of the country where the project is executed, as well as with international agreements and commitments signed by member countries. CAF may request the application of additional precautions or select (internationally accepted) technical references, in cases where deemed necessary. ▪ While all relevant risks and possible environmental and social impacts must be considered in the context of the evaluation, safeguards 2-8 describe the possible risks and environmental and social impacts that require special attention that result in complementary processes related to evaluation, management and monitoring.
S02: Utilization of renewable natural resources	<ul style="list-style-type: none"> ▪ CAF promotes and ensures the sustainable use of natural resources, and manages mechanisms to i) prevent, mitigate and control negative environmental impacts (e.g. pollution, loss of arable land, severe drought or desertification, among others), and ii) promote positive environmental impacts / co-benefits. For this reason, CAF requires the client to establish and implement measures and tools that guarantee the sustainable and effective use of resources, and the application of good conservation practices.
S03: Conservation of biological diversity	<ul style="list-style-type: none"> ▪ CAF promotes the conservation of protected areas, critical habitats and other sensitive areas according to the relevant legislation of the country in which the operation is carried out and the international norms that apply, financing projects in these areas insofar as this guarantees that the project does not jeopardize the objective of establishing the protected area, nor the sustainability of critical habitats and sensitive areas. ▪ CAF considers it essential that all credit operations consider the potential negative impacts from investments on biodiversity and that appropriate measures to prevent, mitigate, control and compensate such impacts are applied.
S04: Pollution prevention and management	<ul style="list-style-type: none"> ▪ CAF recognizes that pollution is a critical factor that deteriorates the living conditions of people and contributes to the degradation of natural resources and loss of biodiversity in the region. It is thus essential that all credit operations include pollution prevention, mitigation and control measures in all environmental components, and promotes in its operations the introduction of measures oriented in this sense. ▪ Likewise, in industrial operations, CAF ensures that such measures are integrated into the production process, including the reduction of pollution and the consumption of natural resources, and the use of clean or renewable energies that contribute to the reduction of GHGs, in the framework of cleared production and energy efficiency. ▪ CAF applies the precautionary principle, that is, the application of protective measures is requested before the suspicion that certain products or technologies create a serious risk to public health or the environment, in cases where it is deemed necessary.

CAF Environmental and Social Safeguard	Description
S05: Cultural Heritage	<ul style="list-style-type: none"> ▪ CAF recognizes the importance of cultural heritage for communities, and in some cases the global population. Therefore, when there is physical or intangible cultural heritage in the area of influence of the project, CAF requests the presentation of plans for the protection of archaeological, historical or sacred sites, which must be approved by the competent scientific and/or cultural institutions and relevant legislation of the respective country. ▪ In the operations to be developed in areas where archaeological, historical or sacred sites of indigenous peoples and/or people of African descent, the client must guarantee protection and avoid actions that directly or indirectly may cause damage.
S06: Ethnic Groups	<ul style="list-style-type: none"> ▪ CAF recognizes the importance of human cultural diversity in the region and ensures its preservation and strengthening. In this context, for the cases of projects whose area of influence includes ethnic groups or important sacred places, CAF requests the preparation of a specific plan for said groups in order to safeguard their physical, territorial, social, cultural and economic integrity, ensure a participatory process of Free, Prior and Informed Consent (FPIC), and to provide benefits that are culturally appropriate.
S07: Resettlement	<ul style="list-style-type: none"> ▪ In operations that require the acquisition or use of lands that imply the physical or economic displacement of the people residing there and/or deriving their livelihood, and/or the resettlement and/or relocation of human groups, CAF requests the elaboration of a Resettlement Plan or Socio-Economic Conditions Resettlement Plan. Such plans will be established in order to improve or at least restore the living conditions of displaced people, as well as of any organization or entity that develops a project or activity on a territory that causes compulsory displacement, resettle people to reduce the risk of impoverishment of the displaced and the deterioration of the quality of life of the people who will continue to live in the place.
S08: Working Conditions and Training	<ul style="list-style-type: none"> ▪ CAF ensures the voluntary, dignified and just work of the people, and that workers have the right to safe and healthy working conditions, through prevention and control of diseases and accidents, and the elimination of factors and conditions that put in danger the health and safety of workers. CAF does not finance projects that involve the direct or indirect exploitation of minors. In addition, CAF promotes the training of workers in the operation it finances.
S09: Gender Equity	<ul style="list-style-type: none"> ▪ CAF promotes gender equity in the operations it finances. For this, it demands in operations that finance there is no gender discrimination, women's access is encouraged to positions of decision and equal remuneration for men and women in similar positions, as well as the positive differentiation towards women who are in a situation of accentuated vulnerability, risk or inequality.

Source: CAF 2016a

3.2 Overview of standard alignment between CAF and GCF

The GCF has provisionally adopted the IFC Performance Standards of the International Financial Corporation (IFC). IFC Performance Standards are comprised of 8 standards that cover the main environmental and social considerations that must be safeguarded when designing and implementing a project or programme.

During CAF accreditation to the GCF, CAF's environmental and social safeguards were reviewed by the GCF and it was confirmed that they are fully aligned with the ESS of the GCF.

As per the Accreditation Master Agreement (AMA) between CAF and the GCF, the programme will apply CAF's environmental and social safeguards. The following table shows the CAF safeguards and the related IFC performance standards.

Table 2: GCF/IFC performance standards and corresponding CAF safeguards

CAF Safeguards	IFC Performance Standards
S01: Evaluation and management of environmental and social impacts	PS01: Assessment and management of environmental and social risks and impacts (partial)
S02: Utilization of renewable natural resources	PS03: Resource efficiency and pollution prevention (partial)
S03: Conservation of biological diversity	PS06: Biodiversity conservation and sustainable management of living resources
S04: Pollution prevention and management	PS03: Resource efficiency and pollution prevention (partial)
S05: Cultural Heritage	PS08: Cultural Heritage
S06: Ethnic Groups	PS07: Indigenous Peoples
S07: Resettlement	PS05: Land acquisition and involuntary resettlement
S08: Working Conditions and Training	PS02: Labor and working conditions PS04: Community health, safety and security (partial)
S09: Gender Equity	PS01: Assessment and management of environmental and social risks and impacts (partial)

3.3 Alignment with national policies and regulations

The programme has been designed to ensure alignment with national policies and regulations in the programme countries: Panama, Ecuador, Peru, and Chile. Countries were evaluated in terms of their climate policy and relevant sectoral policies and strategies. The programme will support the implementation of countries' (Intended) Nationally Determined Contributions ((I)NDCs).⁴

The following Table provides examples of relevant policies and regulations for each country:

⁴ Submitted NDCs are available at the UNFCCC website: <http://www4.unfccc.int/ndcregistry/Pages/All.aspx>

Table 3: Overview of program alignment with national policies and regulations in participating countries*

Country	(I)NDC	Examples of Relevant National and Sectoral Strategies
Panama	Submitted NDC to UNFCCC in 2016. In terms of mitigation it highlights the importance of the energy and LULUCF sectors. Energy contributes 17.3% of national emissions, whereas LULUCF contributes to 80% of national emissions. It discusses its intention to contribute to the de-carbonization of the electric matrix, promoting renewable energies and supporting improvements in energy efficiency. It further discusses promoting reforestation, supporting the establishment of plantations, agroforestry systems, silvopastoral systems and agroforestry, as well as incorporating agricultural systems into measures to support the reforestation and restoration of ecosystems.	<ul style="list-style-type: none"> ▪ Strategic National Plan with the States Vision to 2030 “Panama 2030” ▪ Strategic Government Plan 2015-2019 “Un solo país” ▪ National Energy Strategy 2015-2050 ▪ National Forestry Policy ▪ Contributions for the Development of the Agricultural and rural Sector of Panama
Ecuador	Submitted INDC to UNFCCC in 2015 and is in the process of developing its NDC. INDC outlines its intention to increase the share of renewable energy and to reduce emissions in the energy sector by 20.4-25% the BAU scenario. Energy and AFOLU are the largest contributors to Ecuador’s emissions (50% energy, 43% AFOLU) ⁵ Further outlines targets to reduce emissions from deforestation and forest degradation through reforestation, promoting sustainable production systems ⁶ , investments in its Socio Bosque Program, enhancing the protection of protected areas, among other measures. It further aims to implement and scale up adaptive measures in productive systems.	<ul style="list-style-type: none"> ▪ National Development Plan 2017-2021 ▪ National Climate Change Strategy 2012-2025 ▪ Agriculture and Livestock Policy 2015-2025 ▪ Strategy for the Change of the Productive Matrix ▪ Strategy for the Change of the Energetic Matrix ▪ Agenda for the Productive Transformation of the Amazon ▪ National Plan for Energy Efficiency 2016-2035 ▪ National REDD+ Action Plan 2016-2025
Peru	Submitted INDC ⁷ to UNFCCC in 2015 and submitted a revised INDC in 2016. Half of national emissions attributed to LULUCF. ⁸ INDC highlights the importance of promoting renewable energy sources, reducing deforestation and forest degradation, maximizing social and environmental benefits of efficient and inclusive productive sectors and supporting sustainable natural resource management. Agriculture and forestry are priority areas for adaptation.	<ul style="list-style-type: none"> ▪ Bicentennial plan: Peru until 2021 (National Strategic Development Plan) ▪ Gender and Climate Change Action Plan ▪ National Environmental Action Plan (2011-2021) ▪ Plan for the Management of Risks and Adaptation to Climate Change in the Agriculture Sector 2012-2021 ▪ National Climate Change Strategy

⁵ 2010 data presented in INDC Ecuador 2016:

⁶ More strongly discussed within the National REDD+ Action Plan established in 2016.

⁷ Republic of Peru (2016) – INDC - <http://www4.unfccc.int/ndcregistry/PublishedDocuments/Peru%20First/iNDC%20Per%C3%BA%20english.pdf>

⁸ INDC Peru (2016)

		<ul style="list-style-type: none"> ▪ National Environmental Policy; Forest and Wildlife Law ▪ Peru Energy Policy 2010-2040 ▪ National REDD+ Strategy
Chile	Submitted INDC to UNFCCC in 2015 and re-submitted (I)NDC in 2017. Energy is the largest contributor to Chile's GHG emissions (75% of emissions), followed by agriculture (15%). ⁹ LULUCF is an important sector for GHG mitigation. Identifies energy, agriculture land use land use change and forestry as priority sectors for mitigation in Chile.	<ul style="list-style-type: none"> ▪ Energy 2050: Energy Policy of Chile (vision to 2050) ▪ Chilean Forestry Policy 2015-2035 ▪ Government Program on Agriculture 2014-2018 ▪ Fund for the Promotion of Agricultural Exports ▪ Promotion Program for Exports for Family Farming

**For more detailed information on specific policies and policy priorities in each country, refer to market assessment report elaborated for the proposed program.*

⁹ 2010 data presented in Chile's INDC (2015): http://portal.mma.gob.cl/wp-content/doc/2014_1IBA_Chile_Espanol.pdf

The programme further supports the implementation of measures that contribute to the Sustainable Development Goals. The following SDGs are particularly relevant to the proposed program:¹⁰

- **SDG 1 No Poverty:** End poverty in all its forms everywhere.
- **SDG 13 Climate Action:** Take urgent action to combat climate change and its impacts
- **SDG 7 Affordable and Clean Energy:** Ensure access to affordable reliable, sustainable and modern energy for all
- **SDG 15 Life on Land:** Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
- **SDG 8 Decent Work and Economic Growth:** Promote inclusive and sustainable economic growth, employment and decent work for all.
- **SDG 5 Gender Equality:** Achieve gender equality and empower all women and girls.

The programme measures will further have strong synergies with other international conventions and the commitments of participating countries. Investments in the land use sector will contribute to the Convention of Biological Diversity (CBD), where biodiversity conservation is often considered a co-benefit of measures that reduce deforestation and promote the sustainable management of natural resources. Measures will further contribute to the United Nations Convention to Combat Desertification (UNCCD), by reducing land degradation due to the promotion of sustainable investments in the land use sector.

The programme will also promote the implementation of measures to empower women and promote gender equality, aligned with CAF's gender and safeguard policies. Such measures will contribute to the implementation of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), where all participating countries are signatories or have acceded to the convention.¹¹

¹⁰ Further information on the SDGs can be accessed online: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

¹¹ All countries signed and ratified the convention. For more information refer to: https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IV-8&chapter=4&lang=en

4 PROGRAM OVERVIEW

4.1.1 Objectives

The programme is designed to accelerate the development and volume of local climate change projects in Latin America by helping market actors overcome key financial and knowledge barriers to creating viable projects. On the demand side, LFIs do not have the technical skills or the financial backing needed to evaluate, finance and monitor climate change projects. Projects are also perceived by LFIs as being too risky. On the supply side, project promoters – such as SMEs and farms – often do not know how to identify projects, or fully understand how projects benefit them. When projects are identified, promoters typically face high transaction costs and unattractive terms for project financing through larger commercial banks. Further, awareness of climate change issues and appropriate responses is low among all market actors, as well as in the general population. Finally, local sustainable development opportunities are not equal for men and women in the region.

The following Figure provides an overview of the program's theory of change:

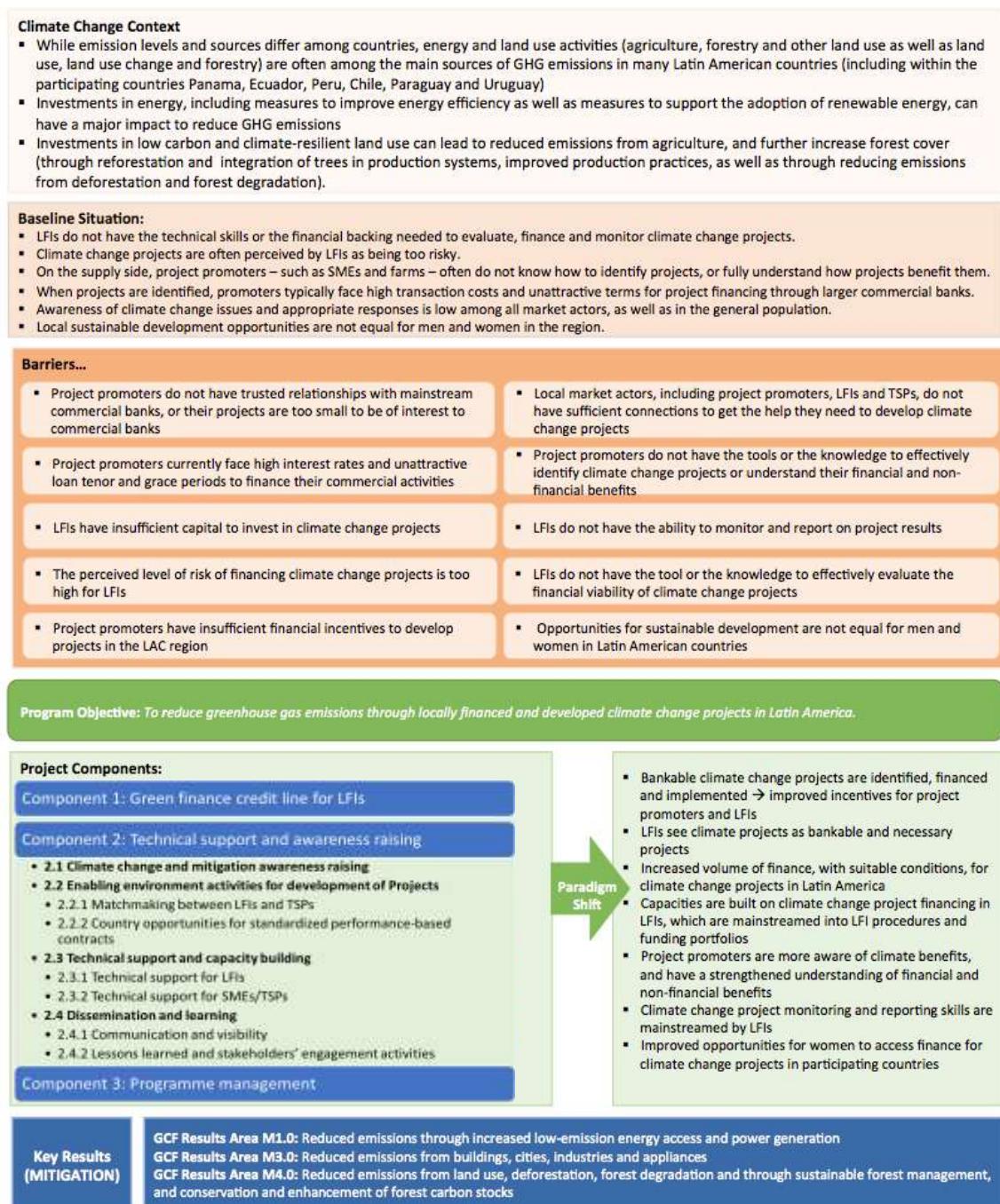


Figure 1. Program theory of change

Using a combination of funding sources, including loans and grants, the programme will conduct eight activities across two program components – (1) , and (2) Technical Support and Capacity Building – to boost local markets for climate change projects Using a combination of funding sources, including loans and grants, the Programme will conduct activities across three Programme components – (1) Financial, (2) Technical Support and Awareness Building – to boost local markets for climate change projects -and Programme management (Table 4).

The programme activities described above are designed to produce outputs leading to core GCF outcomes and expected results. These outputs include:

- Output 1.1. Financially viable local climate change projects are identified and financed.
Output 2.1. Climate change and mitigation awareness raised
- Output 2.2. Enabling environment for the development of mitigation projects
- Output 2.3. Technical support and capacities of LFIs, SMEs and TSPs built.
- Output 2.4. Dissemination and learning reinforced

Local distributed renewable energy, energy efficiency, and land use climate change projects conducted because of the programme will lead to the following outcomes and GCF level expected results:

- Increased amounts of low-emission power generation (Outcome 1) and thereby reduced emissions through increased low-emission energy access and power generation (Expected Result 1),
- Lower energy intensity of enterprises and energy using equipment (Outcome 2) and thus reduced emissions from buildings, cities, industries and appliances (Expected Result 2), and;
- Improved management of land or forest areas contributing to emissions reductions (Outcome 3), leading to reduced emissions from land use, reforestation, reduced deforestation, and through sustainable forest management and conservation and enhancement of forest carbon stocks (Expected Result 3).

Table 4: Overview of project components

	Sub-Component	Brief Description
1. Financial Component (Loan)	1.1 Green finance credit lines for LFIs	<ul style="list-style-type: none"> ▪ A climate finance credit line with adequate financial terms and conditions will be made available for LFIs from participating countries to finance climate projects in the energy and land use sector.
2. <u>Technical Support and Awareness building</u> Component (Grant)	2.1 Climate change and mitigation awareness raised	<ul style="list-style-type: none"> ▪ The goal of this subcomponent is to increase knowledge of the Programme and available financing as well as climate change, mitigation projects, targeted sectors and countries of the Programme, highlighting the benefits of such projects and operational aspects important for accessing the financing. For the organization of the workshops, the following table provides further details to consider regarding participants to convene and the proposed content.
	2.2 Enabling environment for development of mitigation projects	<ul style="list-style-type: none"> ▪ The goal of this subcomponent is to contribute to create a trusting relationship between the TSPs, the LFIs and the SMEs. One of the main barriers identified for these technologies is that mostly due to lack of knowledge, LFIs and SMEs perceive it as risky investments. Thus, the Programme will promote matchmaking between LFIs and TSPs, as well as the identification of opportunities in each country for the standardization of contracts, to facilitate the development of bankable projects interesting for LFIs.
	2.3 Technical support and capacities of LFIs, SMEs and TSPs built	<ul style="list-style-type: none"> ▪ The main objective of the subcomponent is to strengthen LFIs, SMEs and TSPs capacities for the development of mitigation projects, and to comply with the ESMS, MRV requirements.
	2.4 Dissemination and learning reinforced	<ul style="list-style-type: none"> ▪ The goal of this subcomponent is to ensure a wide dissemination of the Programme in the targeted countries and among the key stakeholders as well as Programme beneficiaries; and to ensure learning, including sharing of lessons learned and best practices among key stakeholders.

4.2 Project Funding Structure

4.2.1 Eligibility criteria for LFIs

Eligible LFIs have already been identified and consulted within each participating country. Eligibility criteria for LFIs to participate in the programme included having an ESMS that is up to CAF standards (please refer to section 6.2 for guidelines and processes of LFI selection). Eligibility criteria for sub-loans are detailed below. The use of loan proceeds by an eligible LFI will comply with a “Policy Statement” that will be included in the loan agreement between CAF and the LFI. LFIs will on-lend funds to project promoters for investing in pre-approved technologies or technologies approved by experts procured by CAF. Detailed project eligibility criteria will be established in the Feasibility Study to define the scope of investment of the climate finance credit line and specific climate change and environmental, social, and economic co-benefits indicators.

4.2.2 Eligibility criteria for sub-loans

The project should involve the deployment of proven EE and RE technologies. Projects will need to comply with the eligibility criteria listed in the following tables. These tables provide an overview of the assessment and prioritization criteria that will be followed.

Table 5. Project eligibility criteria

Eligibility Criteria	Energy	Land Use
Exclusion List	Subproject activities are not included in CAF and Programme Exclusion List (Section 3.4.3) and ESMF (Annex 6)	
E&S Category	Category B and C Subprojects category A are excluded.	
Indicative Mitigation Technology	<ul style="list-style-type: none"> Renewable Energy Energy Efficiency 	<ul style="list-style-type: none"> Silviculture, production and conservation Agriculture and livestock
Minimum Objectives	Eligibility of technology based on minimum reductions.	NA
Other	<ul style="list-style-type: none"> Documentation Check: E&S, stakeholder, farm management plan, etc. The project should involve the deployment of proven EE and RE technologies. The EE and RE technologies must be new (not second hand or reassembled systems). 	<ul style="list-style-type: none"> Documentation Check: E&S, stakeholder, farm management plan, etc.

Table 6. Project assessment and prioritization criteria

GCF Investment Criteria	Subproject Assessment and Prioritization Criteria
Paradigm Shift	Innovation: innovative revenue model, financial structure, and/or blended finance instrument, with diversified products and mitigation potential.
	Catalytic effect: (i) be replicated in diversified markets, (ii) achieve environmental and social co-benefits.
	Long-term sustainability of the results
Impact Potential	Reduction of Tons CO ₂ Emissions
	Number of Beneficiaries
	Associativity Potential
Sustainable Development	Number of jobs generated by the subproject
	Women led SMEs/TSPs prioritized
	Additional income or savings generated by the subproject
	Locally developed technology
	Diversification: <ul style="list-style-type: none"> • Energy: Combination of EE&ER Technologies • Land Use: Livelihood and productive diversification
	Environmental: <ul style="list-style-type: none"> • Land Use: Restoration of degraded lands and reduction of soil erosion
	Value-Added: <ul style="list-style-type: none"> • Land Use: Increased value-added potential in the agriculture and forestry chain (certifications, access to equipment, wood/timber of high quality).
Access to Market	
Needs of the beneficiary	Rationale to overcome SME/TSP barriers and necessities
Priority by country	Investments' alignment with National Priorities (NDCs and National Communications), considering investments prioritized in Section 3.5 of the present Feasibility Study.
Efficiency and effectiveness	Financial Viability
	Cost Efficiency: Ton CO ₂ / USD invested

	Equity Contribution from subproject proponents
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The Feasibility Study and the Draft OM submitted with this proposal include further detail on assessment and prioritization criteria of investments, including country priorities. The Final OM will include further precisions about priority measures and the tools for ensuring that these priorities are addressed by the Programme.

Eligible criteria for Energy and Land Use investments are shown below in Tables 7 and 8. Section 3.3.1 of the Feasibility Study provides further detail on the eligible and excluded technologies.

Table 7. Eligible Energy technologies and minimum objectives (non-exhaustive)

Energy	
Energy Efficiency	Renewable Energy Generation
High efficiency furnaces	Micro hydropower plants (less than 10MW).
High efficiency motors	Small wind turbines
High efficiency lighting	Bioenergy projects which include biogas and biomass for heating or electricity generation (waste to energy projects) (up to 5MW)
Energy cogeneration	Photovoltaic power generation
Fuel replacement	Solar water heaters ²³
Improvements of boilers and steam systems	
Air conditioners	
Refrigeration	
Compressed air systems efficiency	
Automation and control systems	
Solar water heaters ^[1]	

Technology type	Minimum objectives	
	Reduced energy consumption (%)	Reduced GHG emissions (%)
Energy Cogeneration	10	10
Fuel replacement	10	20
High Efficiency Lighting	30	30
Boilers and steam systems	10	10
Air conditioners	20	20
Refrigeration	15	15
Water Heating with Solar Energy	50	50
High efficiency furnaces	10	10

Compressed air	10	10
Photovoltaic solar energy	10	10
Automation and process control	10	10
Micro hydropower	N/A	100
Small wind turbines	N/A	100

Table 8 Eligible Land Use technologies *(non-exhaustive)*

Land Use	
Silviculture, production and conservation	Agriculture and livestock systems
<p>Forest conservation & avoided deforestation:</p> <ul style="list-style-type: none"> • Management of uneven-aged areas dedicated to value-added timber productions under recognized forest certification schemes. • Conservation schemes. 	<p>Agrisilviculture:</p> <ul style="list-style-type: none"> • Alley cropping & windbreaks • Multipurpose trees on crop lands • Plantation crop combination • Improved fallows and rotation fallows • Intensive farming with land sparing • Maintenance or renovation of old plantations
<p>Reforestation and afforestation:</p> <ul style="list-style-type: none"> • Sustainable management of even-aged stands for high-value timber production. 	<p>Silvopastoral systems:</p> <ul style="list-style-type: none"> • Trees in rangeland or pastures • Protein banks • Intensive silvopastoral systems • Tree Alleys & pastures • Multipurpose woody hedgerows • Apiculture with trees • Aquaforestry
<p>Forest landscape restoration:</p> <ul style="list-style-type: none"> • Innovative and multipurpose forest landscape restoration approaches and techniques that respond to the need for mitigating to climate change in highly vulnerable deforested and degraded rural lands. 	<p>Agriculture resource use and production efficiency:</p> <ul style="list-style-type: none"> • Low-energy irrigation systems • Rice integrated crop management practices • Technological improvements in the agriculture value chain processes,

Technical references are presented in Section D.6 and detailed in Appendix 2 of the Feasibility Study. The Programme will use validated technologies in the region. References of validated technologies, guidelines, and reference manuals for the Programme's investment decisions.

[1] Solar water heaters can be considered as a Renewable Energy project or Energy Efficiency depending on the application of the technology.

5 ENVIRONMENTAL & SOCIAL IMPACTS AND MITIGATION MEASURES

Overall, it is expected that the programme presents a low to moderate risk, financing only *Category C* and *B* risk projects. High risk '*Category A*' projects will be excluded. A list of excluded projects that will not be eligible for financing is presented in Annex A.

The programme aims to support countries' mitigation measures and the implementation of their NDCs, with a focus on the energy and land use sectors. The programme is anticipated to generate numerous positive social, economic and environmental co-benefits in addition to the direct climate benefits. Nonetheless, there are potential adverse impacts that could occur as a result of investments by LFI in the energy and land use sectors.

This section provides an overview of potential adverse impacts, positive impacts, and the overall approach for ensuring project due-diligence through an Environmental and Social Impact assessment that can identify potential risks and impacts, and ensure that they are avoided, mitigated or managed.

5.1 Potential adverse impacts

As previously stated, the programme will only support projects with a low or moderate risk screening and will not finance high risk '*Category A*' projects. Project-level investments are likely to have limited environmental and social impacts, which are typically site-specific and limited to the project's direct footprint. Such risks and impacts are not unprecedented in participating countries, and impacts are neither irreversible nor cumulative in nature. Adverse impacts can either be mitigated, avoided or managed using demonstrated good management or pollution abatement approaches, which already have a demonstrated track record within Latin America.

The following two Tables provide examples of potential adverse impacts due to energy efficiency, clean energy and sustainable land use investments supported by the programme, along with potential mitigation measures. Chapter 5 provides a detailed explanation of the proposed environmental and social risk management approach for the programme.

Table 5: Overview of potential adverse impacts due to investments in clean energy measures

	Measures	Examples of Potential Adverse Impacts	Examples of Potential Mitigation Measures
Renewable Energy Sources	<ul style="list-style-type: none"> ▪ Solar PV systems, solar PV rooftop ▪ Bio-energy (biogas and biomass) ▪ Small wind turbines 	<ul style="list-style-type: none"> ▪ Inappropriate recycling of batteries containing potential environmental contaminants (lead-acid batteries, lithium batteries). This could lead to environmental contamination, as well as health and safety risks. ▪ Health and safety risks from equipment installation, inappropriate waste disposal. ▪ Inappropriate waste disposal practices could lead to high lifetime emissions ▪ Biogas plants could lead to inappropriate processing of slurry that could lead to soil and water contamination. Further, if plants are not calibrated to the amount of waste-available on site it could lead to the use of other materials to support biogas generation. 	<ul style="list-style-type: none"> ▪ Environmental and Social Management Plan for appropriate waste management based on good practices (e.g. WHO guidelines on lead acid battery recycling)¹² ▪ Enforcement of occupational health and safety (OHS) standards ▪ Awareness raising and trainings on best practices, protocols and other key considerations ▪ Life-cycle emissions can be reduced by utilizing appropriate technology decommissioning practices, supporting the recycling of parts possible (e.g. steel towers, plastics and fiberglass within wind energy turbines), to the greatest extent possible and based on good practices ▪ ESMP for biogas measures, to ensure appropriate measures are applied to minimize impacts

¹² Good practice example: WHO manual for control measures for lead-acid batteries: <http://apps.who.int/iris/bitstream/handle/10665/259447/9789241512855-eng.pdf;jsessionid=FBF0AFCD3FBFAA6ADAD26B077818EB7F?sequence=1>

	Measures	Examples of Potential Adverse Impacts	Examples of Potential Mitigation Measures
	<ul style="list-style-type: none"> ▪ "mini" (<1MW), "micro" (<100 kW), "pico" (<10 kW) hydrogenation projects (without need for water damming) 	<ul style="list-style-type: none"> ▪ Could generate adverse impacts on community health and safety depending on the technology used, locations, the size of reservoirs, among others 	<ul style="list-style-type: none"> ▪ Limiting SME sub-loans to the range of USD 2000 – 3 million ▪ Adequate site identification in order to minimize impact on community health and safety ▪ Prior Environmental and Social Impact Assessment ▪ Environmental and Social Management Plan for appropriate management ▪ Enforcement of occupational health and safety (OHS) standards ▪ Awareness raising and trainings on best practices, protocols and other key considerations

	Measures	Examples of Potential Adverse Impacts	Examples of Potential Mitigation Measures
Energy Efficiency Measures	<ul style="list-style-type: none"> ▪ High efficiency motors and variable speed motor controls. ▪ Energy efficient water pumps ▪ Energy efficient air-conditioning systems ▪ Energy efficient refrigeration and cooling rooms ▪ High efficiency lighting (LED) ▪ Efficient steam production and distribution systems (boilers) ▪ Introduction or improvement of energy management and control systems ▪ Energy efficient furnaces (drying, baking or melting) ▪ Co-generation systems that use a fuel (e.g. natural gas) to co-generate on-site heat and electricity ▪ Solar water heaters ▪ Heat Recovery ▪ Battery storage (replacing diesel generators) ▪ Efficient and clean transportation systems (electric vehicles or conversion of vehicles from diesel to gas) ▪ Fuel Replacement 	<ul style="list-style-type: none"> ▪ Inappropriate waste management/ disposal of cooling materials or industrial waste ▪ Health and safety risks due to inappropriate waste management/ disposal ▪ Health and safety risks from equipment installation ▪ Size of co-generation project may not be appropriately calibrated to the existing on-site agricultural waste 	<ul style="list-style-type: none"> ▪ ESMP for waste disposal/ management to ensure appropriate measures are adopted. Old equipment should be properly decommissioned, recycled and/or disposed of to avoid GHG emission leakages. ▪ Enforcement of occupational health and safety (OHS) standards ▪ Awareness raising and trainings ▪ Attention to project procedures for acquisition of additional waste in instances where additional waste is required to support co-generation investments.

Table 6: Overview of potential adverse impacts due to investments in the land use sector

Measure	Examples of Potential Adverse Impact(s)	Examples of Potential Mitigation Measure
Agriculture Investments	<ul style="list-style-type: none"> ▪ Clearing of critical ecosystems for agricultural activities, habitat fragmentation. ▪ Clearing of forested land for agricultural activities leading to emissions from deforestation, and loss of biodiversity. ▪ Inappropriate use of agrochemicals can lead to air, soil and water contamination, and negatively impact the health of workers ▪ Soil salinization due to accumulation of salts from irrigation water ▪ Extreme weather events or natural disasters could lead to damage of production systems ▪ Disruption of hydrological flows and water bodies due to clearance of vegetation in upper catchments and over-abstraction of surface- and groundwater for irrigation 	<ul style="list-style-type: none"> ▪ Exclusion of land acquisition, land use restriction and land use change, unless land use change occurs on degraded land and is for the purposes of restoration of these degraded lands. ▪ Establish a biodiversity conservation plan¹³ or biodiversity action plans¹⁴, following good practices. ▪ Deforestation risk assessment will identify hotspots and develop country-specific criteria to support the assessment of projects, as well as the monitoring and evaluation of such projects. It will further identify ‘no go’ areas where the risk is deemed too high (in terms of deforestation, loss of critical ecosystems biodiversity, protected areas, among other factors). ▪ Trainings for LFIs on best practices for monitoring and evaluating project impact, including environmental and social impacts, using user-friendly tools (e.g. Global Forest Watch) ▪ Trainings on good practices, including appropriate use of agrochemicals (e.g. quantities, types of agrochemicals, alternative products, safety equipment and appropriate practices) ▪ Prioritize the use of organic fertilizers (apply compost, manure) combined with conservation agriculture practices: cover crops (nitrogen-fixing legumes), green manure, crop rotation). <p>Develop a comprehensive nutrient management plan (CNMP) based on the 4Rs of fertilization management (right source, right rate, right time, and right place);</p> <p>Develop a Pesticide Management Plan, prepared in accordance with FAO guidelines on pesticide management¹⁵, and should be consistent with country commitments under the Stockholm¹⁶, Rotterdam¹⁷, and Basel Conventions¹⁸</p> <ul style="list-style-type: none"> ▪ Develop and implement a soil and water management plan

13 Guide to protect biodiversity in production landscapes: undp.org/content/dam/undp/library/Environment%20and%20Energy/biodiversity/PBiPL.pdf

14 IFC

15 http://www.fao.org/fileadmin/templates/agphome/documents/Pests_Pesticides/Code/CODE_2014Sep_ENG.pdf

16 <http://chm.pops.int/>.

17 <http://www.pic.int/>.

18 <http://www.basel.int/>.

Livestock	<ul style="list-style-type: none"> ▪ Onset or spread of animal disease Erosion and loss of soil fertility due to overgrazing Pollution of water bodies and groundwater Pesticides residues in meat and dairy products Antimicrobial resistance (AMR) 	<ul style="list-style-type: none"> ▪ Agricultural insurance ▪ Follow bio-safety protocols to control farm animals, equipment, personnel, and wild or domestic animals entering the facility (e.g. quarantine periods for new animals, washing and disinfecting crates, disinfection and coverage of shoes, providing protective clothing to personnel, etc.). Identify and segregate sick animals and develop management procedures for adequate removal and disposal of dead animals). Develop grazing land management systems to keep pastures under their carrying capacities (e.g. GIS-based systems, grazing fees, community-based regulation of access) Ensure that animals and unauthorized people are not present in the areas where pesticides or other potentially harmful products are handled, stored, or applied. Develop a comprehensive nutrient management plan (CNMP) for pasture management, based on the 4Rs of fertilization management (right source, right rate, right time, and right place); § Reduce use of antimicrobial by improving animal health and hygiene practices, animal welfare (e.g. ensuring good air and water supply quality, appropriate ventilation rates and space allocation).
Forest Plantations	<ul style="list-style-type: none"> ▪ Inappropriate site-species matching that can lead to negative environmental impacts (soil degradation, reduced water availability) ▪ Use of non-locally adapted species could lead to a risk of invasion and negative impacts on biodiversity. ▪ Displacement of alternative land uses, competition with food crops if countries do not have appropriate legislation in place for the establishment of forest plantations. ▪ Conversion of habitats in case of greenfield investments if countries do not have appropriate legislation in place. ▪ Social conflicts on indigenous territories and domains. ▪ Risk of forest fires ▪ Use of agrochemicals 	<ul style="list-style-type: none"> ▪ Exclusion of land acquisition, land use restriction and land use change, unless land use change occurs on degraded land and is for the purposes of restoration of these degraded lands. ▪ Deforestation risk assessment will identify hotspots and develop country-specific criteria to support the assessment of projects, as well as the monitoring and evaluation of such projects. It will further identify ‘no go’ areas where the risk is deemed too high (in terms of deforestation, loss of critical ecosystems biodiversity, protected areas, among other factors). ▪ Many countries have national legislation on where forest plantations can be established, which limit competition for arable land and prevent the clearing of natural forests for plantations ▪ Many countries have national legislation on seedlings and seed varieties permitted for forest plantations. Regardless, the program will only support projects utilizing locally-adapted tree species, and will take further legislation into account on a country-by-country basis. ▪ Environmental and social management plans, including stakeholder engagement plans, should be developed that outline how social and environmental impacts will be minimized and addressed. ▪ The application of the indigenous peoples planning framework and the implementation of an Indigenous Peoples Plan can mitigate conflict in the respective territories and domains. ▪ The application of the resettlement planning framework can mitigate conflict in the highly unlikely event of necessary resettlement (see sub-loan eligibility criteria and exclusion of Category A projects).

	<ul style="list-style-type: none"> ▪ Harvesting and silvicultural practices (e.g. thinning) can pose a risk for OHS if not appropriately conducted with appropriate safety equipment and practices. ▪ Extreme weather events or natural disasters could lead to damage of production systems 	<ul style="list-style-type: none"> ▪ Trainings on good practices for developing management plans, good practices for plantation forestry (OHS and appropriate harvesting and silviculture practices, forest fire prevention and management, and site-species matching). Related to Forest Fire Prevention, CAF has substantial experience working with different countries and stakeholders through its Program “Amazon without Fire” (<i>Programa Amazonica Sin Fuego</i>), that is currently operational in Bolivia and Ecuador, and will be scaled up to Colombia and Peru.¹⁹ The program supports awareness raising and capacity development on fire-smart practices for agriculture and livestock production, including measures to reduce the incidence of forest fires (e.g. alternative practices), and to control and improve the response to forest fires.
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¹⁹ Additional information can be found at <http://scioteca.caf.com/handle/123456789/831> .

5.2 Positive impacts

Projects supported by the CAF-GCF programme are expected to generate primarily positive environmental and social impacts. In terms of climate benefits, the programme will support emission reductions around 683,549 tCO₂eq per year. This is particularly relevant given that energy and land use are often among the largest emitters of greenhouse gases in the participating countries. It promotes the overall transition to low-carbon development pathways by overcoming key barriers that LFIs and project developers face for funding and implementing climate change projects in the energy and land use sectors in Latin America. Thus, as a result of the programme there will be better access to finance for climate change projects, as well as improved market confidence – creating an enabling environment to support further investments in climate change projects in Latin America. Beyond this, LFIs will further improve their ability to monitor and report climate and sustainable benefits.

Associated with energy, positive impacts, in addition to mitigation impacts, are expected such as reduced emissions with a positive impact on respiratory health and reduced air pollution due to fossil fuels. Biogas can create byproducts that can improve soil fertility. Job creation is a key social benefit, with the creation of direct and indirect jobs. Energy bills will also reduce with investments in improved energy efficiency.

Associated with land use, many of the interventions have adaptation co-benefits, supporting the adoption of climate-resilient land use practices. Measures further support food security, sustainably produced forest products that can reduce pressure on native forests, enhanced biodiversity through integrating trees into productive systems, income diversification and habitat restoration. As with investments in the energy sector, direct and indirect jobs will be generated by the program.

Cross-cutting measures related to gender will help to lower the gender gap in accessing credit, and strengthen the capacities of women, include women-operated SMEs on climate change projects and emerging opportunities to invest in sustainable activities (described in more detail in Section 7 and Annex B).

5.3 Indigenous Peoples

CAF Regulations regarding indigenous communities

Whenever an investment is in an area of direct or indirect influence on ethnic groups²⁰, or in sacred places of importance for an ethnic group, such as territories that they inhabit or over which they have been legally recognized, investments will need to follow the guidelines established by CAF within their Safeguard 5 “Ethnic Groups “. If an operation with these characteristics, that has already initiated activities, requests financing from the programme, the LFI will need to advance an evaluation of the actions carried out in this operation in order to determine the necessity to formulate and implement remedial plans that guarantee compliance with the objectives proposed by Safeguard 5. If investments are located near uncontacted indigenous peoples, it must be guaranteed that the project does not cause any impact on these peoples, and that their contact is avoided, respecting their right to remain in that condition and live freely according to their culture.

The programme will not finance projects that may cause significant negative impacts and that imply a high risk to the physical, territorial, economic and cultural integrity of an ethnic group.

²⁰ Ethnic groups are defined by CAF as “human groups whose social, cultural and economic conditions distinguish them from other sectors of the national community and that are governed totally or partially by their own customs or traditions or by special legislation” (CAF 2016a)

CAF's manual on Environmental and Social Safeguards outlines key requirements for the elaboration of projects and investments in areas of direct or indirect influence on ethnic groups, and are briefly outlined below:

- **Norms & Institutions:** Comply with national legislation and international agreements related to the rights of ethnic groups
- **Identification of ethnic groups or importance places for these groups:** Link from an early stage of the project cycle to the entities in charge of the affairs of the country's ethnic groups. Inquire with the entities responsible for the issues of ethnic groups in the area of direct or indirect influence of the project. Conduct a review of secondary sources and if necessary, visits to the area of direct and indirect influence to identify if there are ethnic groups or places of importance for these groups
- **Impact Evaluation:** Participatory evaluation of the potential positive and negative impacts as a result of the investment/ project, including the identification of alternative projects or measures to compensate or mitigate potential impacts, that are accepted by the ethnic groups and that are culturally appropriate.
- **Consultation and Relationship:** It is necessary that traditional authorities and organizational forms of ethnic groups are respected within the consultation process, and not replaced by parallel organizations or processes. Consultations should be conducted to present the project, discuss potential environmental and social risks, and verify if there is support for the project as well as measures to manage impacts. Consultations and interactions should be conducted within their own language and in their territory to facilitate the understanding of the topics consulted. FPIC principles should be followed for all consultations. Results from consultations should be clearly documented. A relationship with ethnic groups should be established and permanently maintained throughout all stages of the project's cycle.
- **Free, Prior and Informed Consent (FPIC):** FPIC must be obtained when there is resettlement or when there are impacts on i) the territory, ii) natural resources that ethnic groups use, iii) cultural heritage or iv) places of sacred elements with a special value for the community. It must be documented both within the process as well as in the agreements reached in the dialogue and consultations with the community.
- **Planning:** Measures to manage, mitigate or compensate potential negative impacts should be designed in a participatory manner, respecting organizational forms and decision-making processes of ethnic groups. Such measures should be agreed upon to ensure they are culturally appropriate and that there is broad support for these measures. Such measures should be included within the Ethnic Group Plan, along with a budget.
- **Project implementation:** Entity responsible for the project must have enough capacity to appropriately implement the plan. Participatory and culturally appropriate mechanisms for M&E should be applied. An accessible and culturally appropriate complaint and grievance mechanism should be designed for the project.
- **Dissemination:** The evaluation study of the impacts and management plans should be disseminated to relevant stakeholders, including versions that are accessible to communities.

LFI and Indigenous Peoples

Each LFI must comply with CAF's policy to ensure that their policy on indigenous peoples complies with CAF's safeguard 05 on ethnic groups. Adverse impacts on indigenous territories and communities are highly unlikely due to sub-loan eligibility criteria and small sub-loan sizes. For all applicable investments that nevertheless trigger this safeguard, it is necessary to prepare three documents for revision by the LFI:

1. **FPIC results:** Must describe the FPIC process applied with communities regarding the project, including information on the methodology/ approach utilized, consultation events, who was consulted, how ere the consulted, and the results of the consultations (including film, photographic records, attendance sheets and documents that have been signed by communities).
2. **Environmental and Social Impact Assessment:** The document should contain four chapters on: i) social and ethnographic study, ii) legal and institutional framework, iii) impact evaluation, and iv) free, prior and informed public consultations.
3. **Ethnic Group Plan:** Plan may be named with the name of the ethnic group or community, or the name that is agreed upon with said group. It is made up of measures to facilitate the positive impacts of the project, and to mitigate or compensate potential negative impacts. It further ensures that the benefits received by the project are inclusive and culturally appropriate. Each measure should include clear objectives, goals, activities, roles/ responsibilities, source of resource allocation and requirements for monitoring and evaluation of the measure.

Loan approval must be dependent on the satisfactory completion of the above described documents, resulting in the approval by LFIs, according to the CAF safeguard policy. Strict M&E will be required for the implementation of the Ethnic Group Plan, as per CAF's credit agreements with participating LFIs. Participatory monitoring should be conducted to determine the degree of progress and if corrective measures are necessary. Periodic reporting on the progress of the plan's implementation will be conducted, noting activities carried out and the level of achievement of the proposed objectives. Monitoring reports, specific to the ethnic group plan, will be presented to CAF, local communities and other relevant stakeholders. At the end of the project, the plan must be evaluated to determine if its objectives were achieved. This final report must be available to local communities involved, as well as interested stakeholders.

6 ENVIRONMENTAL & SOCIAL RISK MANAGEMENT PROCESS

6.1 CAF's Social and Environmental Strategy

CAF has a clear environmental strategy that is aimed at two fundamental objectives: (i) generate and permanently improve frameworks, spaces and processes that guarantee the financing institution(s) responsible environmental and social management; and (ii) support its participating countries in the conservation and sustainable use of both their natural resources and their ecosystems.

To achieve the first objective, CAF has procedures and tools for environmental and social assessment and monitoring processes, whose purpose is to guarantee physical and environmental sustainability, as well as the social responsibility of the operations financed by the financial institution. As shown in the following Figure, these processes accompany each and every one of the phases of the credit process, providing tools and criteria for decision making in relation to the viability and subsequent environmental and social management of the operations.

These processes will be applicable for the loan facility approved for each LFI. Project-level investments will be monitored by LFIs, as described in Section 5.3 below.

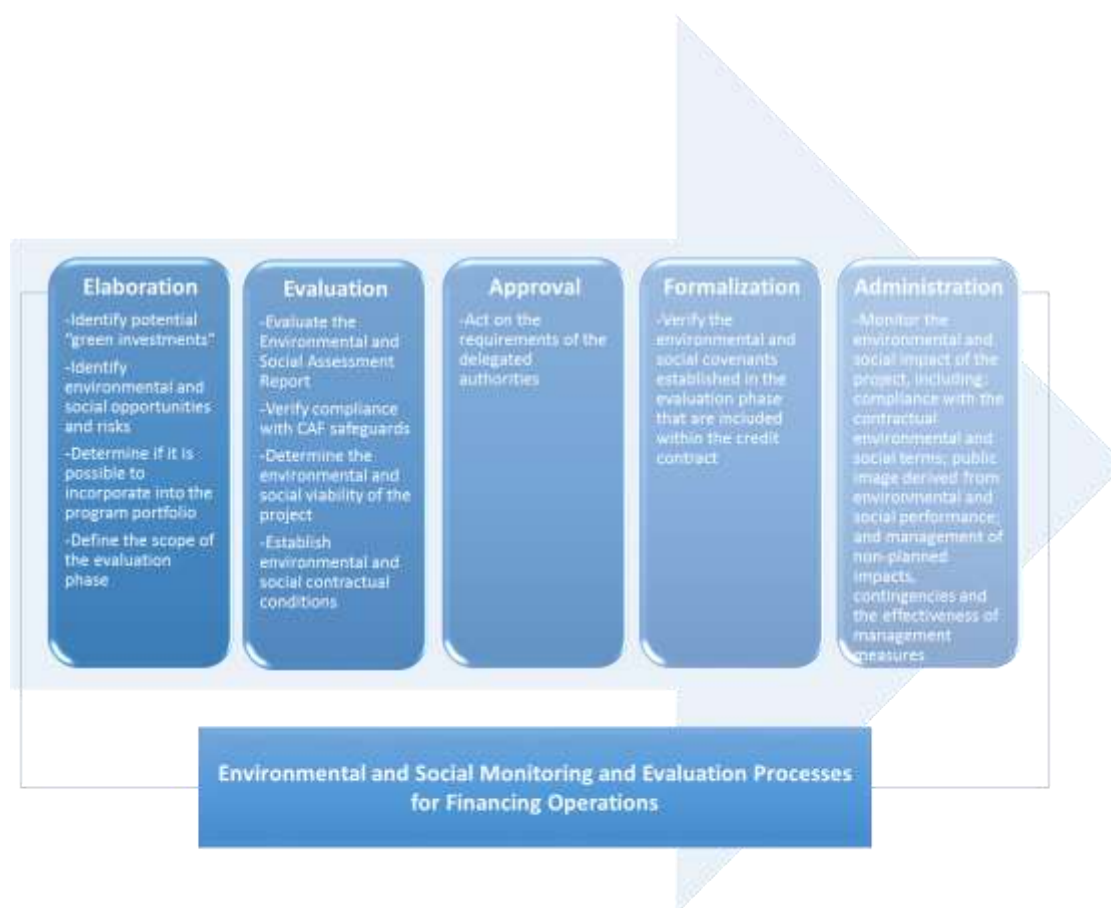


Figure 2: Process for the environmental and social monitoring and evaluation of operations

Source: CAF 2016a

6.1.1 Origination Phase

From the environmental and social perspective, the origination phase seeks to identify and give an early indication about the environmental and social opportunities and risks of the investment opportunity submitted to CAF and provide the necessary elements of judgment for this preliminary assessment, serving as the basis for decision making regarding: (i) the suitability of the potential operation in the Bank's business portfolio; and (ii) the identification of aspects where emphasis should be placed

in the evaluation phase, including the need for external consultants or special studies, the designation of an Executive from the Unit for the Management of Environmental and Social Risk (UGRAS) that will oversee the operation, among others.

The following figure provides an overview of the core stages of the elaboration phase:

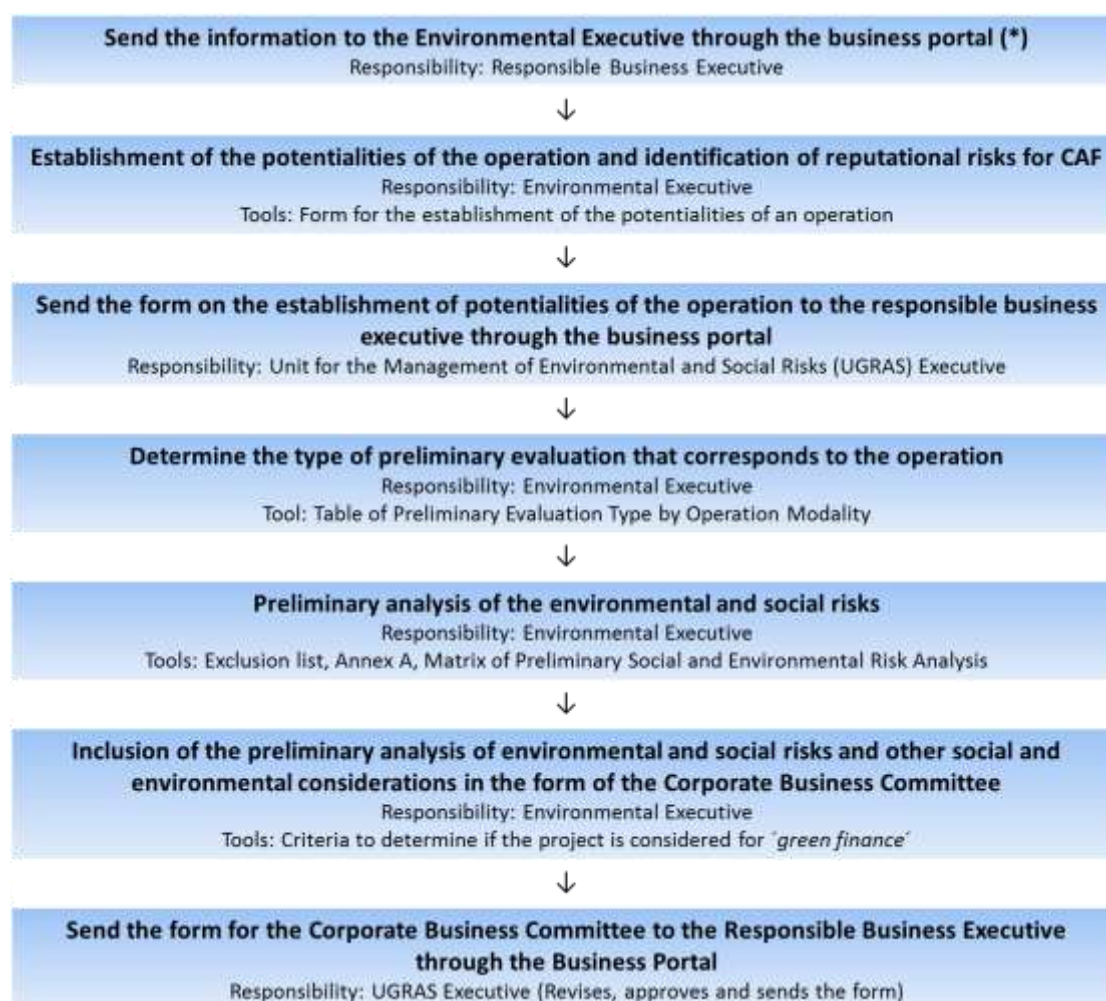


Figure 3: Overview of key activities within the elaboration phase

Source: Adapted from CAF 2016b

By the end of the elaboration phase data related to the operation should have been collected insight into potential environmental and social risks and opportunities. A form for the Corporate Business Committee (CNC) also must be filled out, assessed and approved during this phase. The following table provides an overview of the supporting materials, forms and tools available to support the elaboration of key deliverables during the elaboration phase.

Table 7: Overview of inputs and outputs associated with the elaboration phase

Inputs	Outputs
Data related to the operation, provided by the EJR	<ul style="list-style-type: none"> ▪ Form for establishing the potentialities of the operation ▪ Preliminary Climate Risk Analysis Tool ▪ Criteria to determine if a project qualifies for “Green Finance”
CNC form	<ul style="list-style-type: none"> ▪ Matrix containing the preliminary environmental and social risk analysis for infrastructure, environmental and social development operations

	<ul style="list-style-type: none"> ▪ Matrix containing the preliminary environmental and social risk analysis for industry operations ▪ Form of the Corporate Business Committee (CNC)
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Source: Adapted from CAF 2016b

6.1.2 Evaluation Phase

The evaluation phase aims to clarify the environmental and social viability of the operation and formulate the conditions under which the operation should be developed to ensure that it is appropriately designed from an environmental and social perspective. Given that the quality of the evaluation results depends to a large extent on access to basic information, it is necessary to optimize and apply the available resources in an efficient and timely manner.

Within this phase, it is expected to establish an adequate and sufficient knowledge base related to i) the client and the operation, ii) the main environmental social, cultural and economic aspects within the direct and indirect area of influence, iii) the main associated impacts, risks and environmental and social opportunities, and iv) the capacities and limitations for the environmental management of both the client and institutions related to the operation. Depending on the risk category and type of operation, it will be necessary to elaborate an environmental and social report:

- Environmental and Social Report for Infrastructure, Social and Environmental Development Operations Category I
- Environmental and Social Report for Infrastructure, Social and Environmental Development Operations Category II and III
- Environmental and Social Report for Category I Industry Operations
- Environmental and Social Report for Category II and III Industry Operations
- Environmental and Social Due Diligence Report for Corporate and Special Operations

Within the environmental and social report, main impacts, risks and environmental and social opportunities of the operation are identified and evaluated, and the pertinence and sufficiency of the established management measures determined. In addition, recommendations and conditions will be defined in the form of contractual commitments, including respective budgets, aimed at guaranteeing adequate social and environmental management in accordance with CAF's environmental and social safeguards as well as national environmental and social legislation applicable to the operation.

The following Figure provides an overview of the core steps of the evaluation phase, as well as responsibilities and supporting tools.

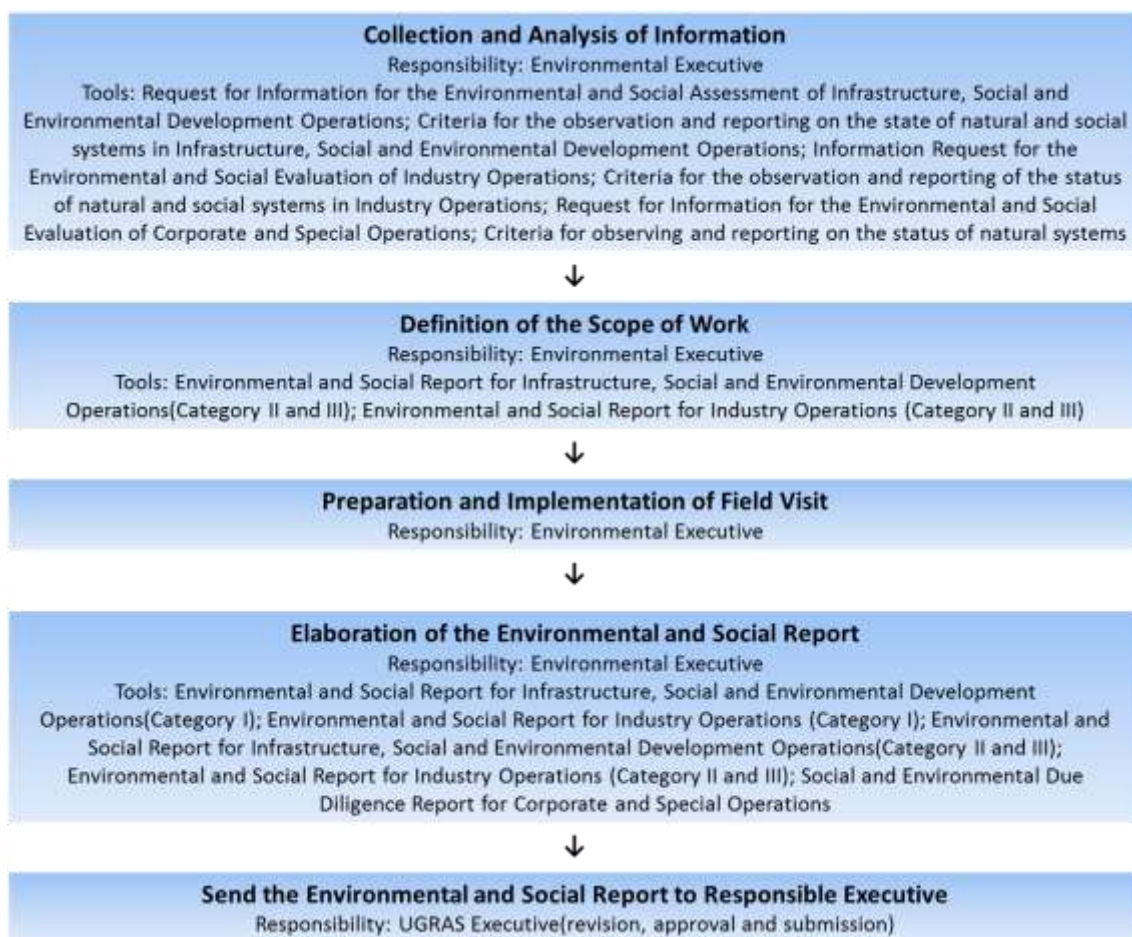


Figure 4: Overview of key activities within the evaluation phase

Source: Adapted from CAF 2016b

The following Table summarizes the main inputs and outputs associated with this phase:

Table 8: Overview of inputs and outputs associated with the evaluation phase

Inputs	Outputs
Information sent by the client: <ul style="list-style-type: none"> ▪ Information request for the environmental and social evaluation for infrastructure, social and environmental operations (form) ▪ Information request for the environmental and social assessment for industry operations (form) ▪ Information request for environmental and social assessment for corporate operations (form) 	Environmental and Social Due Diligence Report

Source: Adapted from CAF 2016b

6.1.3 Approval and Formalization Phase

In accordance with the provisions of the Manual for the Credit and Equity Investment Process, the Approval phase has the purpose of deciding on CAF's participation in the operation by the corresponding authority/ authorities. The Unit for the Management of Environmental and Social Risks (UGRAS) as part of the Vice Presidency of Risks, provides safeguards-relevant information to the authorities if

requested. Sector specific procedure documents exist at UGRAS to guide decision making on the conceptual framework and the specific investment types that can be supported by CAF.

The next phase - Formalization - seeks to ensure that the legal documentation incorporates, in both form and substance, the environmental and social conditions and respective budgets established by the UGRAS in the Environmental and Social Report prepared for the operation. To do this, an Executive from UGRAS must revise the draft of the Credit Contract verifying that the tenor of the environmental and social conditions reflects what is described within the IAS, as well as what is discussed in the subsequent negotiations between CAF and the client.

In accordance with the provisions within the "Manual of the Credit and Equity Investments Process," the lawyer designated by the Legal Consultancy to support the operation, must submit the draft contract to the UGRAS, for review and observations. On this basis, it is expected as a result, that at the end of the Formalization Phase the credit agreement incorporates, both in substance and form, the environmental and social conditions established in the IAS and approved by the CPI or the corresponding delegation.

Table 9: Overview of inputs and outputs associated with the formalization phase

Inputs	Outputs
<ul style="list-style-type: none"> ▪ Draft Credit Contract 	<ul style="list-style-type: none"> ▪ Commented draft of the credit contract

Source: Adapted from CAF 2016b



Figure 5: Overview of key activities within the formalization phase

Source: Adapted from CAF 2016b

6.1.4 Administration Phase

In accordance with the provisions of the Manual for the Credit and Equity Investment Process, the purpose of the Administration phase is to execute disbursements, monitor and monitor the client, the operation and its documentation until the closing of the same. Follow-up during this phase has the objective to guarantee an adequate environmental and social management of the credit operations and to facilitate the evaluation of the real impacts to adopt and / or modify the measures and conditions established in the evaluation phase.

In order to achieve the aforementioned objective, monitoring is carried out to maintain and ensure:

- compliance with the environmental and social conditions established in the credit agreement, environmental studies and regulatory instruments for environmental management and Social;
- the public image derived from environmental performance; and
- consistency between the information reported by the client and the information observed in the field.

This process is carried out through document revision as well as field inspections if required. Ultimately, this phase allows for the evaluation of the effectiveness of the planned environmental and social measures, the management of unforeseen impacts, response to contingencies and verification of the execution of planned investments to support the implementation of all measures.



Figure 6. Overview of key activities within the administration phase

Source: Adapted from CAF 2016b

Table 10: Overview of inputs and outputs associated with the formalization phase

Inputs	Outputs
<ul style="list-style-type: none"> ▪ Credit agreement ▪ Environmental and Social Studies ▪ Client monitoring reports ▪ Environmental and social legislation applicable to the operation ▪ External Environmental and Social Audit Reports 	<ul style="list-style-type: none"> ▪ Technical Criteria Memorandum ▪ Initial Environmental and Social Monitoring Report ▪ Periodic Environmental and Social Monitoring Reports ▪ Final Environmental and Social Monitoring Report

Source: Adapted from CAF 2016b

6.2 Guidelines and Processes for LFI selection

6.2.1 Overview of LFI selection

Local Financial Institutions (LFI) have been identified in each target country based on the identification and assessment exercise conducted in the feasibility stage of the funding proposal and in-person meetings during the project development stage.

The following criteria were applied to select LFIs:

- a) LFIs approved by the Superintendence of Banks, and level of asset value locates them within the top ten LFIs.

- b) LFIs that are or have been CAF clients for the past three to four years.²¹
- c) LFIs with experience providing green credit lines²² or other relevant financial products such as guarantees and agricultural finance, among others.
- d) LFIs with an ESMS in place or have a strong interest (verified by contract covenants) in implementing one (see following section).
- e) LFIs that have a gender strategy in place or have a strong interest in implementing one.
- f) LFIs that have adopted CAF's Exclusion List as well as CAF's "Lista de Actividades No-Financieras y Prácticas Prohibidas".

6.3 Guidelines and Processes to assure adequate level of safeguards implementation

6.3.1 Screening LFIs Environmental and Social Management Systems and Capacities

Participating LFIs must have an environmental and social policy in place or adopt one prior to be incorporated in the programme and, based on it, have implemented an Environmental and Social Risk Analysis and Management System for the categorization of its operations and for the evaluation of the environmental and social risk of its portfolio.

CAF will conduct a screening on all participating LFIs regarding the quality and robustness of their environmental and social standards. During the programme's inception phase LFIs will undergo a capacity assessment and an environmental and social due diligence. Through these processes, technical support needs will be identified to ensure that LFIs ESMS are adequate to support the screening, approval, monitoring and evaluation of investments in the targeted areas. When ESMS systems are either not in place or are weak, CAF will evaluate if technical support can be provided to help establish or improve such systems, and where possible support LFIs to improve their ESMS to be able to participate within the programme. LFIs with ESMS that do not meet GCF or CAF standards and have not been able to improve them to reach the required standards with support of the programme will not be able to access the green finance credit line.

Capacity Assessment of LFIs

Within the **capacity assessment**, conducted in the evaluation phase, the AE aims to collect and evaluate the greatest amount of strategic or relevant information on the capacities of the LFI for the implementation and / or improvement of its environmental and social management system. This is necessary, since it is key to have the best knowledge of the operation and the client, in order to be able to identify information gaps that must be corrected by them. This phase will help highlight critical and outstanding aspects that must take into consideration during the environmental and social due diligence. A guiding framework and template for conducting this assessment is provided in Annex E.

Environmental and Social Due Diligence

Environmental and social due diligence will be conducted for the LFI, and recommendations will be consolidated in a report. The purpose of the environmental and social due diligence report is to: (i) consolidate the results of the due diligence, both of the information provided by the client and of the information collected thereafter; (ii) issue an assessment on the viability of the LFI from the environmental and social point of view; and, depending on said viability, (iii) establish the environmental and

²¹ In exceptional cases, LFIs may enter the program as new CAF clients if all other selection criteria apply.

²² It is important to emphasize that any commercial bank is in the position to offer credit to SMEs for their green projects throughout their conventional credit lines, however very few LFIs have dedicated and specialized green financial products that allow them to identify, evaluate and finance these projects in a suitable way.

social conditions to which said LFI will be subject, together with the budgets associated with these conditions.

The referential content of the due diligence report is the following (see Annex E for a detailed framework):

- Executive summary;
- Description of the borrower and the operation;
- Description of the Environmental and Social Management System of the LFI;
- Evaluation of the adequacy of the Environmental and Social Management System;
- Main risks and critical aspects;
- Main opportunities for improvement of the Environmental and Social Management System;
- Environmental and social budget;
- Environmental and social viability of the operation; and
- Action plan. Environmental and social conditions for financing

6.3.2 Measures to be applied by LFIs for environmental and social management

The measures to be applied by the LFIs include the following:

Table 11: Overview of measures to be applied by LFIs to ensure environmental and social management

Phase	Measure	Responsibility
Origination phase	Screening of sub-projects against CAF exclusion criteria	LFI Investment Officer and/or LFI safeguard officer
	Assignment of environmental and social risk category	LFI Investment Officer and/or LFI safeguard officer
Evaluation Phase	Category A risk projects: Identification of most appropriate environmental and social due diligence to be conducted, preparation of terms of reference for environmental and social assessments, and recruitment of suitable consultants/ experts Category B risk projects: Integration of environmental and social aspects to feasibility studies/ management plans, verification of conformity with national regulations Category C risk projects: Verification of conformity with national regulations	LFI safeguard officer and investment team
	A and B: Elaboration of necessary assessment reports (environmental and social impact assessment, environmental and social assessment), and corresponding plans (livelihood plans, indigenous peoples plans, etc.)	External consultants

	Revision and final approval of the elaborated studies	LFI safeguard officer
Approval and Formalization Phase	Preparation of environmental and social clauses to be integrated into credit contract and other legal documentation	LFI safeguard officer and investment team
Administration Phase	ESMP monitoring to ensure compliance with environmental and social conditions established in legal documentation	LFI safeguard officer

In summary, each LFI will:

- Verify that the operations it finances are not prohibited by environmental and social national laws
- Verify that the operations it finances are not included in the Exclusions List of CAF, and the program-specific exclusion list included within Annex A.
- Require compliance with national legislation in terms of obtaining permits and environmental licenses, use of natural resources and activities with dangerous substances.
- Categorize and evaluate the environmental and social risk of the operations it finances.
- Verify that the amounts requested by their clients include the implementation of the measures established to minimize the environmental and social risks of their operations.
- Present reports of the environmental and social management of its operations, according to the frequency established in the credit agreement, which will be fixed depending on the risks of its portfolio and the magnitude of the credit granted by CAF.

To verify that the LFIs are adequately implementing their ESMS, the programme considers performing external audits.

6.3.3 Considerations for Project Screening by LFIs

All sub-loans must be screened by LFIs for their environmental and social risks and impacts prior to credit approval. During this screening phase projects will be revised according to the LFIs' Environmental and Social Risk Analysis and Management System to ensure they adhere to local regulations and laws, including ESIA requirements. Category A or high-risk projects will not be supported within the programme, along with other investments described in the programme exclusion list within Annex A.

Where necessary environmental and social management plans (ESMPs) will be either in place or developed at the final loan beneficiary level to manage identified risks and adverse impacts.

For this programme, within the framework of eligibility requirements established for the sub-projects as described in the previous section, LFIs will manage loans according to the following requirements:

- 1) An Environmental and Social Assessment (ESA) will be conducted by LFIs for all investments to identify potential risks. The ESA should include:
 - a) A description of the area of influence of the operation, including the area of direct and indirect influence;
 - b) Characterization of the environment, including information specific to the project site that has a level of detail and geographic scale according to the area of direct and indirect influence, that covers all of the environmental and social components/ factors that could be affected by the project.

- c) Identification and evaluation of environmental and social impacts
 - d) Elaboration of an Environmental and Social Management Program (ESMP), where necessary, compatible with the legal and institutional framework of the respective country, that identifies concrete prioritized measures and actions to prevent, mitigate, compensate or enhance environmental and social impacts that could be generated by the operation.
- 2) All investments will comply with all applicable environmental, social, health and safety, and labor regulatory requirements of the respective country where the project/ investments are implemented.
 - 3) LFI will monitor and ensure that the participating SME beneficiary will comply with all applicable environmental, social, health and safety, and labor regulatory requirements of the participating country.
 - 4) During project screening by LFIs, sub-projects will be categorized into low, medium and high risks based on the preliminary environmental and social assessment. High risks projects will not be deemed eligible for financing.
 - 5) An exclusion list has been developed that identifies investments that will not be supported by the programme (Annex I). This list will be integrated into the loan approval process, ensuring all supported projects comply with the exclusion list.
 - 6) Ensure the necessary stakeholder consultation is conducted during project preparation phase, as necessary.
 - 7) LFIs must appoint an Environmental and Social Officer, or equivalent position, for the duration of the Project to monitor the implementation of the environmental and social management plans, and to support the screening, evaluation, monitoring and reporting of environmental and social risks and impacts. This officer must provide regular reporting to CAF UGRAS.
 - 8) For Energy Efficiency sub-projects, LFIs will adopt a Decommissioning and Disposal Protocol for replaced equipment and materials to be presented to and approved by CAF, as a condition prior to first disbursement. The protocol must ensure that any equipment replaced is not reused and is appropriately disposed. Once approved, said Protocol will be part of the ESMF and as such will apply to the LFIs and each respective sub-borrower as pertinent to their respective responsibilities.
 - 9) For land use investments, LFIs will screen investments using a country-level deforestation risk matrix, to ensure that appropriate conditions are in place to ensure that the supported investments will not result in deforestation. Such an assessment will identify deforestation risk at different administrative levels, and provide tools and information to support LFIs for the screening and M&E of investments. A more detailed description of the assessment can be found in the following box:

Box 1 – Deforestation Risk Assessment

For sub-loans in the land use sector, it will be necessary to ensure that investments do not cause deforestation or forest degradation. During the program inception phase, CAF will conduct ‘Deforestation Risk Assessments’ for each country to identify high risk areas and crops and ensure that LFIs can identify high-risk investments and place appropriate conditions for lending agreements in the land use sector.²³ Such an assessment will:

- Use an agreed set of definitions
- Identify deforestation hotspots and drivers of deforestation,
- Apply a cut-off date to assess the land use changes and conversion of forest based on international and national agreements, reports and available information,

²³ Proposed TOR for the country-level deforestation risk analyses are included within Annex 2.

- Be developed through a quantitative historical forest cover change analysis since the selected cut-off date (annual deforestation rate vs. remaining % of native forest) to assess the land use changes and conversion of forest
- Outline the regional distribution of deforestation risks (key hotspot areas) and the key agricultural commodities and activities contributing to deforestation.
- Classify deforestation risk (*high – medium – low*) at the at different administrative levels
- identify and map “*no-go investment areas*” and “*risk areas*”, indicating deforestation hot spots and protected areas where the LFI’s should avoid credit disbursements
- Prepare user-friendly maps, tools and information systems that LFIs and CAF can use to support M&E within their lending activities
- Revise and describe local regulations and level of law enforcement for environmental issues (with a focus on deforestation), including environmental impact assessment (EIA), and risk classification for agribusiness related projects
- Conduct a risk assessment on the impact of farming and forestry on the environment and biodiversity with focus on the impacts of the most prevalent crops (including livestock) and planted tree species in each country
- Develop a set of criteria that enables LFIs to identify red flags and no-go areas in the screening phase for new credit clients

Table 12: Overview of environmental and social regulations and other due diligence required for LFIs for moderate and low risk projects

Environmental and social risk category	High risk	Moderate risk	Low risk
Environmental and social regulatory framework	Not financed by project	National and international regulations applicable in the participating country	National and international regulations applicable in the participating country
Required environmental and social due diligence	Not financed by project	Environmental and social due diligence report (see Annex E for template) Environmental and Social Assessment or Environmental and Social Management Plan If indigenous peoples are located within the project area, then an Indigenous Peoples Plan should be developed (Annex F) If land will be acquired or if local livelihoods displaced, a land acquisition and livelihood restoration plan should be developed (Annex G)	Environmental and social due diligence report (see Annex E for template)

6.3.4 Specific environmental and social issues

The following environmental and social issues are of enhanced importance under the proposed programme and will be assessed in line with CAF safeguards.

Indigenous peoples and cultural diversity

Annex G outlines the indigenous peoples planning framework (IPPF) is based on CAF Safeguard 06 on Ethnic Groups and Cultural Diversity and will be applied when indigenous peoples (IPs) are present in a subproject's area of influence as identified during the social and environmental screening process or subsequently during the Environmental and Social Impact Assessment. The subproject developers and LFIs are responsible for implementing the necessary actions to meet the requirements outlined by this framework.

Land acquisition and livelihood displacement

Annex H contains the Land Acquisition and Livelihood Restoration Framework. It identifies the principles, overall strategy and processes should any sub-project within the programme cause any physical or economic displacement, in conformance with the national laws and CAF requirements. CAF, as an accredited entity, provides ample recognition that land acquisition and land use restrictions due to projects and subprojects can have ad-verse impacts on land users and communities.

The Land Acquisition and Livelihood Restoration Framework is based on CAF Safeguard 07 - Population Resettlement (Safeguard 07). This Land Acquisition and Livelihood Resettlement document elaborates on the CAF document and provides a more comprehensive and detailed process for managing resettlement and associated risks.

Stakeholder engagement

Community and stakeholder engagement is a key component of the Program E&S Framework. Stakeholders are defined as groups or individuals who are directly and/or indirectly affected by a project, who have or may have interest in it, or may influence it in a positive or a negative way. As such, stakeholders can be local communities, individuals, their representatives, governmental bodies, civil society organizations, etc.

Annex H gives detailed information on the CAF approach to Stakeholder Engagement and Information Disclosure and, including an Indicative Outline of Stakeholder Engagement Plan.

7 MONITORING AND SUPERVISION

7.1 Investment monitoring and reporting

The programme will apply the standard procedures established by CAF for monitoring and evaluation of investment operations. Based on the proposed results and a monitoring and evaluation plan to be agreed between CAF and participating LFIs, the evolution of indicators should be reported periodically during programme execution. In coordination with CAF, participating LFIs will compile and maintain all information, indicators, and parameters necessary for the preparation of Program reports, including annual reports, midterm review and final evaluation.

It will be the responsibility of participating LFIs and CAF to ensure that the sub-borrower is eligible for funding from the programme in accordance with the programme's eligibility criteria, as defined for clean energy and sustainable land use. In coordination with participating LFIs, CAF may schedule supervision visits to sub borrowers to monitor and verify the proper use of resources and compliance with contractual conditions of the Programme with regards to the use of funds.

Operations approved by participating LFIs and presented to CAF to be part of the programme must be properly identified in the LFI's accounting systems and be in compliance with what is stated in the specific loan agreements. These records should allow for identifying financial conditions of each transaction (e.g. currency, maturity, and interest rates), the value of the contract, loan proceeds and eventual use of proceeds for monitoring purposes, program funds balances and default rates, if necessary. The monitoring process intends to follow up the execution of the programme in order to identify the intermediate milestones achieved in each phase and evaluate its outcomes and fulfillment of proposed targets. The indicators to be monitored will be those included in section E of the GCF proposal. Participating LFIs will collect the necessary data for monitoring and present regular reports to CAF. During the first year of lending to each LFI within the programme, participating LFIs will provide quarterly reports to CAF. Reporting for the second and following years will be either based on biannual or quarterly reports, as decided by CAF based on a case-by-case basis. The participating LFIs' own information systems will undergo a gap assessment by CAF to analyze whether they are sufficient and appropriate for monitoring the proposed indicators. If the gap analysis reveals areas for improvement, these will be implemented in the programme set-up phase.

Participating LFIs will deliver these annual reports within thirty (30) calendar days after the end of each year of Project's implementation. The reports will include information regarding the evolution of the indicators, as well as financial information regarding the use of the resources. CAF will be entitled to request additional information, if necessary. In addition to the annual reports and the scheduled activities for monitoring of the operations described above, CAF will contract an independent midterm evaluation within thirty (30) months from the effective date of the loan contract or when 50% of the programme resources have been disbursed – whichever occurs first. Finally, participating LFIs will present a final report to CAF up to six (6) months after the day of the last disbursement and CAF will contract an independent final evaluation. LFIs final reports shall contain all relevant information to assess if objectives of the programme and targets for each indicator have been met. Based on this report and as per normal practice, CAF will also prepare a Project Completion Report, which evaluates the fulfillment of targets, reviews the overall results of the operation, and describes lessons learned, among other relevant aspects.

For a more detailed explanation of the Monitoring and Evaluation Plan along with the proposed framework for MRV for Clean Energy and Land Use, please refer to Annex 11: Monitoring and Evaluation Plan and MRV framework.

8 GENDER STRATEGY

CAF's institutional mission is to promote sustainable development and regional integration of its shareholders through social inclusion and gender equality. Specifically, CAF aims to ensure that:²⁴

- Women and men equally benefit from projects and programs financed by CAF
- Ensure the equal participation of women and men in projects and programs financed by CAF, both in the design and execution of such projects, and
- Prevent the design and execution of projects and programs financed by CAF that deepen pre-existing gender gaps or produce adverse impacts that affect men or women.

²⁴ CAF 2016a

Gender Strategy for the Proposed Programme²⁵

Even though financial inclusion of women led SMEs is not the main objective of the programme, it will promote gender equality and women's empowerment both at the fund- and project-level. It will be of utmost importance that women are adequately included in all processes of the program at FI and final beneficiary level and that financial products (sub loans to SMEs) are designed and promoted in a way that it encourages uptake by female led SMEs.

The programme will support the use of gender-disaggregated indicator systems, requiring participating LFIs to collect and report on gender-disaggregated data. While many of the LFIs have such systems, some may need to integrate or strengthen their M&E systems to ensure that such gender-disaggregated data is collected. In terms of financial products, the project will support the design and promotion of green sub-loans that enhance the participation of female-led SMEs. CAF will work with LFIs to target women's organizations, support awareness raising campaigns, and set clear targets to target women-owned SMEs. Entrepreneurial development services will be further supported through the design and promotion of entrepreneurial development services (e.g. energy efficiency audits, promotion of green investment alternatives in land use, among others), in ways that enhance participation of female-led SMEs. Finally, the program will support financial education through the design and promotion of training programs to enhance participation of female staff and/or female-led SMEs within the program.

A gender responsive M&E framework has been developed for the project, which will work with LFIs to track monitor and evaluate the impact of the program and its project-level investments on gender. Tracked indicators include, among others, the percentage of female-owned SMEs accessing credit, the number of men and women who have accessed trainings, among various other indicators (see Gender Action Plan in Annex B for further information). A gender-specialist will oversee the implementation of the gender action plan at the fund level, and liaise with LFIs as necessary to ensure that their ESMS adequately meets gender-related requirements, to follow up on the M&E of gender-related targets with LFIs, and to provide ongoing support as required on topics related to gender within the context of the proposed program.

9 ESTIMATED BUDGET

The budget for the implementation of the ESMF is estimated in more than USD\$ 1,500,000. The Programme will cover the following costs:

- Hiring an **Environmental and Social Specialist** for the Programme, during the lifetime of the Programme (**USD\$ 210,000**).

²⁵ More detailed information on gender can be found within the Gender Assessment and Gender Action Plan included within Annex B.

- Technical Assistance for **Strengthening environmental and social risk management systems and skills (under Activity 2.3.1.2 USD\$ 1,179,300)**: the objective of this activity is to develop improved environmental and social risk management systems within LFIs engaged with the Programme and strengthen their capacities on the field. For interested LFIs, the Programme will provide the following technical support:
 - Gap analysis: to identify the status and needs for improvement of LFIs' current ESMS.
 - Provision of technical support (external consultancies, trainings) to LFIs to strengthen their ESMS systems to enhance their ability to invest in sustainable projects and ensure robust environmental and social management systems are in place. This includes managing for gender benefits and reducing gender related risks (e.g. supporting development or strengthening of gender strategies, policies, and procedures), to ensure that both men and women benefit from projects financed by the LFI, promoting gender-responsive monitoring of investments, and ensuring that supported investments do not widen gender gaps or produce adverse impacts.
 - Independent audits: to assess the adequate implementation of ESMS.

The budget of this activity covers costs related to Professional / Contractual services (e.g. companies performing audits in the countries), and travel costs.
- Inclusion of Environmental and Social issues in **cross-cutting technical assistance activities**, such as Activity 2.3.2.1 "Technical support for project development". Topics include the identification of potential environmental and social risks of the technologies. Within the total costs of the capacity building, around **USD\$ 5,000** could be considered the percentage allowed to E&S issues.
- Project Pre-Investment Facility within Activity 2.3.2.1 allows SMEs access to funding for feasibility assessments, including **Environmental Assessments** (up to US\$ 5,000 per feasibility per SME). The Facility's budget is USD\$ 1,000,000, and we could assume that around **USD\$ 150,000** could be required for Environmental Assessments.

Other costs related to the implementation of the ESMF will be covered by the IFIs, since they will assign human resources (person in charge of environmental and social analysis) for this goal. CAF will hold oversight functions in these matters as Accredited Entity. In addition, each sub-project will include as part of the documentation that have to present for the eligibility process, a budget for environmental and social aspects.

10 CONCLUSION

CAF continues to fine-tune its environmental and social management systems, advancing its systems to reflect the dynamic advances related to climate change projects and the financial sector. It has a strong working relationship with LFIs across Latin America and works together with such institutions as well as project developers towards overcoming key barriers in financing sustainable investments. For instance, CAF's Program on Social and Environmental Management for LFIs (PGASIF, *Programa de Gestión Ambiental y Social para Instituciones Financieras*) in Latin America has supported LFIs to develop and implement systems for environmental and social assessments, strengthening their capacities to invest in sustainable activities. Such experience has been paramount for the design and elaboration of the proposed programme and its ESMF, ensuring that appropriate and robust procedures and safeguards are in place for implementing climate change projects in the energy and land use sectors. Together CAF and participating LFIs will ensure that comprehensive and robust environmental and social screening and management systems are in place, and program activities and investments are closely monitored, evaluated, and reported in terms of social and environmental impacts.

11 REFERENCIAS

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ANNEXES

Annex A. Project Exclusion List

Annex B. Terms of Reference for country-level deforestation risk assessment

Annex C. CAF Environmental and social screening check list

Annex D. Scope of environmental and social assessments

Annex E. LFI ESMS gap assessment tool

Annex F. Indigenous peoples planning framework and scope of indigenous peoples plan

Annex G. Land acquisition and livelihood restoration framework and plan

Annex H. Stakeholder engagement and information disclosure framework

ANNEX A – EXCLUSION LIST

The following exclusion list notes the types of projects that CAF will not finance:²⁶

- Production or trade of any product or activity considered illegal under the laws of the host country, or international regulations, conventions and agreements, or subject to international prohibitions, such as pharmaceutical products, pesticides/ herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated by CITES.
- Production or trade of arms and ammunition
- Production or trade of tobacco
- Gambling, casinos and equivalent companies
- Production or trade of radioactive materials. This does not apply to the purchase of medical equipment, quality control equipment (measurement) and any equipment in which CAF considers the radioactive source to be trivial and/or adequately protected.
- Production or trade of un-bonded asbestos fiber. This does not apply to the purchase and use of cement asbestos sheets, where the asbestos content is less than 20%.
- Purchase and use of PCB compounds
- Production of pharmaceutical products that are being progressively withdrawn from the market or have been banned at the international level according to the United Nations Publication Prohibited Products: Consolidated list of products whose consumption or sale have been prohibited, withdrawn, submitted to rigorous restrictions or have not been approved by governments (last version from 2001 in English: www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001_3.pdf).
- Pesticides or herbicides that are progressively withdrawn from the market or have been banned internationally according to the Rotterdam Convention (www.pic.int) and the Stockholm Convention (www.pops.int).
- Production of substances harmful to the ozone layer and that are being withdrawn progressively from the international market. These substances known as ozone depleting substances (ODS) are regulated by the Montreal Protocol. There is a list of these substances and the dates that were established as a target for their reduction and withdrawal from the market. Some of the chemical compounds regulated by the Montreal Protocol are aerosols, refrigerants, foaming agents, solvents and fire protection agents. More information is available at www.unep.org/ozone/montreal.shtml.
- Production or use of persistent organic pollutants (POPs)
- Fishing in the marine environments with nets that exceed 2.5 km in length.
- Commercial logging operations harvesting primary material from primary tropical forests
- Production or trade of wood or other forest products that are not from sustainably managed forests.
- Production, trade, storage or transport of large volumes of hazardous chemical products, or the use of hazardous chemicals on a commercial scale.

²⁶ CAF 2016b

- Production or activities that affect the ownership of the territory or land, or claimed for adjudication, by indigenous peoples without documented Free, Prior and Informed Consent from said peoples.
- Operations in protected areas²⁷ with special legislation, when the operation has the potential to jeopardize the objective of creating/ establishing the protected area.
- CAF does not finance operations to borrowers or executing agencies that carry out the production or activities that involve harmful or exploitative forms of forced labor²⁸ and/or child labor.

In addition to the aforementioned CAF exclusion list, the program will further exclude investments that:

- Are located within protected areas and/or their buffer zones;
- Are classified as high-risk, 'Category A' investments;
- Involve involuntary resettlement.

²⁷ Also within areas designated in each place, including, among others, world heritage sites (defined in the Convention of World Heritage: <http://whc.unesco.org/nwhc/pages/doc/main.htm>), the list of national parks and protected reserves of the United Nations, wetlands declared as having international importance (Ramsar sites, defined in the Ramsar convention: www.ramsar.org), or determined areas defined by the IUCN (e.g. natural parks, wildlife reserves, natural monuments, among others: www.iucn.org).

²⁸ Forced labor means all work or service, not voluntarily performed that is obtained from an individual under threat of force or punishment.

ANNEX B - TERMS OF REFERENCE FOR COUNTRY-LEVEL DEFORESTATION RISK ASSESSMENT

Unsustainable agricultural practices are one of the main drivers of deforestation, contributing to land use changes which can contribute to habitat destruction, increased contamination, and accelerate climate change. National legislation to protect biodiversity and the environment from abusive activities differs among and within countries, and is often not strictly enforced in Latin America.

To support the proposed program's management of environmental and social risks, a thorough and timely deforestation assessment is recommended in the program inception phase (i.e. prior to lending), including identifying deforestation hotspots and protected areas, and conducting thorough analyses of forest cover change dynamics in the recent past. The objective of these studies is to profile the proposed program's participating countries (Panama, Ecuador, Peru, Chile) with regards to deforestation hotspots, forest cover conversion and land use cover while assessing local regulation and the degree to which it is being enforced. The second objective is to inform participating LFIs about these risks and enable them to include adequate risk monitoring and measures into their Environmental and Social Risk Management Systems. The experts will provide an opinion where and under what conditions CAF and participating LFIs must consider from a business and deforestation avoidance perspective.

SCOPE OF WORK

Each country-specific study (i.e. 1 study per country – 6 studies in total) consists of a desk-based review and a country visit to raise additional and verify existing information, meet with key actors and entities, and assess the implementation of the regulatory framework, with the key activities as follows:

1. Concise country profile, including:
 - A. Key facts, and summary of current trends for the forestry, tourism, fishery and agricultural sectors.
 - B. Main drivers of deforestation.
 - C. Deforestation hot spots.
 - D. Description of local regulation and level of law enforcement for environmental issues (with a focus on deforestation), including environmental impact assessment (EIA), and risk classification for agribusiness related projects.
2. The consultant needs to prepare a deforestation risk assessment which includes:
 - A. Agreed set of definitions by the consultant and the CAF: forest (primary and secondary), deforestation.
 - B. Selection and justification of cut-off date to assess the land use changes and conversion of forest. The selected cut-off dates should be based on international and national agreements/ reports and available information.
 - C. Deforestation risk assessment through a quantitative analysis (e.g. annual deforestation rate vs remaining % of native forest) to assess the land use changes and conversion of forest.
 - D. Classification of deforestation risk (high – medium – low) at the Country level, at the Province/ Department level, and at the Municipality/District level.
3. Elaboration of a country map for each country, including:
 - A. Identification and mapping of “no-go investment areas” and “risk areas”, indicating deforestation hot spots and protected areas where the Fund should avoid investing.
 - B. Historical analysis of forest cover change dynamics since the selected cut-off date.

- C. Description of land use cover, landscapes, and major infrastructure.
 - D. Outline the regional distribution of deforestation risks (key hotspot areas) and the key agricultural commodities and activities contributing to deforestation.
 - E. The status and development of land-use, including percentages of forest and agricultural areas, dominant crop and agricultural systems, as well as structure and shares of land-ownership.
4. Review of secondary literature (i.e. country submissions to UNFCCC, UN REDD, FAO and FCPF) and collection of data on deforestation drivers and agricultural production systems.
 5. Identification of key actors and their activities in the field of deforestation risk mitigation.
 6. Interviews with key local and international actors on-site.
 7. Collection of additional data and information on-site which are not publically available (i.e. studies in process, background papers, etc.)
 8. Risk assessment on the impact of farming on the environment and biodiversity with focus on the impacts of the most prevalent crops in each country.
 9. Development of a set of criteria that enables LFIs and the CAF to identify red flags and no-go areas in the screening phase of investment projects.

DELIVERABLES

- Final report per country, including
 - Deforestation risk assessment
 - Concise country profile
 - Development of criteria to ensure investments only take place in deforestation-safe areas
 - Detailed maps, coordinates, recommendations (by area, crops, activities and methods of production relevant to each country)
- Power point presentation summarizing country profile, main findings and recommendations.

Target audience: CAF credit officers and safeguard specialists; participating LFI staff responsible for risk management.

Note: Each country study should take into account approximately 20-30 person-days to complete.

ANNEX C – CAF ENVIRONMENTAL AND SOCIAL SCREENING CHECK LIST

D1. Summary of environmental and social safeguards check list

Environmental and social Safeguards				
No.	Aspect	Fulfilled?		Observations (*)
		Yes	No	
i.	<i>Evaluation and management of environmental and social impacts</i>			<i>Report on the existence of an environmental and social impact assessment document, specific to the operation and satisfactory for adequate environmental and social management. Include the list of technical-administrative instruments that guarantee compliance with the Environmental Legislation in force in the country.</i>
ii.	<i>Use of renewable natural resources</i>			<i>Inform if the operation requires the use of natural resources (e.g. water and soil) for its execution,</i>
iii.	<i>Conservation of biological diversity</i>			<i>Inform if the operation takes place in protected areas, critical habitats and / or sensitive areas, which ones and if measures are included to prevent, mitigate or compensate the impacts in said areas</i>
iv.	<i>Prevention and management of pollution</i>			<i>Inform if the client has identified the possible sources of contamination to the environmental components and if he has proposed the appropriate measures to prevent this contamination, as well as if he has monitoring measures.</i>
v.	<i>Cultural heritage</i>			<i>Report on the risks of affecting the cultural heritage of the region, in case of existing inform the measures to be adopted to prevent and mitigate said risks</i>
vi.	<i>Ethnic groups</i>			<i>Inform if there are ethnic groups in the area that may be affected, and the measures adopted to mitigate the effects on such groups, including the need to carry out prior consultations, their status and results.</i>
vii.	<i>Resettlement</i>			<i>Report if it is necessary to acquire or use lands that imply the physical or economic displacement of the people residing there, and the measures that will be adopted to reduce their effects.</i>
viii.	<i>Work and training conditions</i>			<i>Report if there is a risk of child labor and the measures adopted by the client to avoid it. Also, inform if there are training programs planned.</i>
ix.	<i>Gender Equality</i>			<i>Report if there is a risk of violating gender equity and the measures adopted by the client to avoid it.</i>

Note: (*) In case of total or partial non-compliance, at the time of the DD, the "NO" column should be marked and therefore, in the observations column, measures must be established to reverse this situation, measures that must be reflected in section VIII. Action plan. Environmental and social conditions for financing.

When the condition is not presented, in observations it must be informed that there is no risk and no column should be marked (YES / NO).

Note: (**) In the event that there is no information regarding compliance with the safeguards by the clients of the LFI, no column should be marked, and the conditions for the loan should include the incorporation of measures into the environmental and social management system that allow the information to be included and verify its adequacy.

D2. Detailed assessment of social and environmental risk categorization

Name of operation:	
Country:	
Client:	
Date of elaboration:	
Environmental executive:	
Risk category of operation:	

Types of operations (TO)

Type of Projects	Characteristics
<a>	Those that by their dimensions and components, are known that can generate multiple and complex environmental and social impacts.
	Those whose possible impacts are less adverse than those of category <a> projects, but can significantly affect some characteristics of the natural, social, economic or cultural environment.
<c>	Those whose possible negative environmental and social impacts are not significant and those impacts can be prevented, mitigated and / or compensated based on good environmental and engineering practices, as well as widely known and accessible environmental management measures.

Type a – excluded from program		Operation (*)
New large scale industrial operations	<ul style="list-style-type: none"> ▪ Mining and cement and brick manufacturing projects ▪ Food manufacturing industry ▪ Textile manufacturing industry ▪ Manufacture of timber products ▪ Paper pulp and paper manufacturing industry ▪ Petroleum refining ▪ Chemical and petrochemical industry ▪ Manufacturing industry of plastics and rubbers ▪ Glass manufacturing industry ▪ Tanneries ▪ Superficial treatments ▪ Manufacture and / or recovery of electrical and electronic equipment ▪ Automotive industry ▪ Manufacturing, transport, employment or secondary generation of hazardous materials or waste ▪ Construction and / or adaptation of Thermoelectric Plants ▪ Pharmaceutical industry ▪ Production of alcohol and biofuels 	
Other(s)	Specify	
Type b		
Projects of environmental improvement	<ul style="list-style-type: none"> ▪ Industrial reconversion ▪ Management and / or recovery of solid waste ▪ Treatment of effluents and gaseous emissions 	

New small scale businesses	<ul style="list-style-type: none"> ▪ Manufacturing industries ▪ Building ▪ Agricultural production and processing ▪ Aquaculture and fisheries ▪ Tourism and Ecotourism ▪ Recycling 	
Amplification of pre-existing industry	<ul style="list-style-type: none"> ▪ Expansion or modification of Type a projects 	
Other projects	<ul style="list-style-type: none"> ▪ New industrial plants that do not use a significant volume of materials and supplies, or dangerous equipment ▪ Working capital in project industries type a 	
Type c		
Other	<ul style="list-style-type: none"> ▪ Financing of management plans or environmental programs ▪ Working capital in industries in Type b projects 	

(*) Mark the rows that correspond

Sensitivity of the Medium (SM)

Sensitivity of the Medium	Características
High Sensitivity (1)	Corresponds to a medium where certain physical, natural, economic, social and cultural characteristics, due to their level of fragility or vulnerability, enhance the level of involvement of the intervention. The mere presence of one of the variables considered high sensitivity is determinant and cancels the others classified as moderate or low sensitivity.
Moderate Sensitivity (2)	Corresponds to a medium where the characteristics or degree of current intervention of the physical, natural, economic, social and cultural environment, determine a lower level of involvement by the intervention, to the extent that the values that can be lost are less than an ecosystem without intervention
Low Sensitivity (3)	Corresponds to a medium where the characteristics or degree of current intervention of the physical, natural, economic, social and cultural environment, determine a scarce to no level of involvement by the intervention.

High sensitivity (1)	Operation (*)
<ul style="list-style-type: none"> ▪ Areas that are pristine/ not intervened ▪ Area near water springs ▪ Territories with indigenous people or with legal protection status ▪ Areas with incompatible uses (for the purpose of the project) ▪ Protected natural areas or areas with sensitive or strategic ecosystems ▪ Activities with complex environmental permits ▪ Use of wood or forest products from primary or secondary natural forests ▪ High water consumption in areas of low abundance or heavy use ▪ High energy consumption in areas of low abundance or heavy use ▪ Areas with a total lack of services (sewage, stormwater, natural gas, electric power, potable water, waste collection) ▪ Areas with possible social conflicts due to the use of water 	
Moderate sensitivity (2)	
<ul style="list-style-type: none"> ▪ Located in non-industrial urban areas, with the possibility of problems with nearby communities, or in urban settlements with moderate levels of services, social facilities and waste disposal. ▪ Sporadically flooded areas ▪ Areas of undefined uses ▪ Use of wood or products from planted forests. ▪ Moderate water consumption in areas of low abundance or intense use ▪ Moderate energy consumption in areas of low abundance or intense use 	

Low sensitivity (3)	
<ul style="list-style-type: none"> ▪ Located in a fully defined industrial zone or highly intervened area. ▪ Permits granted or in progress without complexity ▪ Low water consumption in areas of low abundance or intense use ▪ Low energy consumption in areas of low abundance or intense use ▪ Total availability of services (sewer, stormwater, natural gas, electric power, drinking water, waste collection) 	

(*) Mark the rows that correspond

Summary

Name of Operation	TO	SM

Briefly describe the justification of the assignment of the TO and SM categories according to the characteristics of the operation and the corresponding sensitivity.

(Maximum 1 paragraph)

Matrix for the Preliminary Analysis of the Environmental and Social Risks

Category of the operation				Associated Risk	
SM \ TO	a	b	c		
1	1a	1b	1c	<ul style="list-style-type: none"> ■ Category I High Risk (1a,1b, 2a) ■ Category II Moderate Risk (3a, 2b, 3b) ■ Category III Low Risk (1c, 2c, 3c) 	
2	2a	2b	2c		
3	3a	3b	3c		

Assigned category: _____

ANNEX D - SCOPE OF ENVIRONMENTAL AND SOCIAL ASSESSMENTS

E1. Environmental and Social Due Diligence of LFIs - Template

Name of Operation	
Country	
Date of Evaluation	
Operation Manager	
Executive / Evaluation Consultant	
Executive Responsible for the VPR	
UGRAS Coordination	

Signature

Executive Summary

This section should be developed as the final point in the preparation of this Environmental and Social Due Diligence Report [IDDAS]. The Executive summary must contain:

- Description of the operation: General characteristics of the LFI, structure of financing, in which the environmental and social budget must be specified.
- Aspects related to the type of portfolio that the LFI has, highlighting the credits granted to projects that reported environmental, social and / or labor conflicts (1 paragraph)
- Aspects related to the Environmental and Social Management System (ESMS) of the LFI, with special attention to its structure and adaptation to the type of portfolio it has (1 paragraph)
- Critical aspects identified (maximum 5 environmental and social critical aspects)
- Environmental and social viability
- Terms and Conditions Sheet

(Maximum 2 pages)

I. Description of the borrower and the operation

Describe the environmental and social capabilities of the borrower, taking as background the current portfolio, the problems identified in the past, the amount requested, and the most important institution (s) related to the environmental management of the operation.

(Maximum 2 paragraphs)

II. Description of the Environmental and Social Management System of the financial institution (LFI)

Based on a brief summary of the characteristics of the Environmental and Social Management System of the LFI, an analysis of the problems anticipated should be carried out based on the type of projects currently financed by the LFI.

Maximum one (1) page

III. Evaluation of the adequacy of the environmental and social management system

In this section a summary of the most important risks associated with the development of the operation must be presented, sized - qualitatively and quantitatively - whenever possible.

In any case, the report is intended to be clear, synthetic and exhaustive in the identification and assessment of environmental, social and labor risks, to which the LFI is subjected in the development of its activities, its capacity to attend to said risks. and its response to emergencies, for which the following treatment structure is proposed.

Introduction one (1) paragraph

a. Human resources

Maximum half (½) page

b. Economic resources

Maximum half (½) page

c. Structure of the environmental and social management system

Maximum half (½) page

d. Emergency response

Maximum half (½) page

e. Collateral requirement for environmental risk

Maximum half (½) page

IV. Principle risks and critical aspects

a. Principle risks

Based on the analysis carried out in the two preceding chapters, the most relevant risks that may converge in critical situations must be identified.

Maximum half (½) page

b. Critical aspects

The critical aspects are the result of the joint analysis of the most significant findings and conclusions of the two previous sections: the problems foreseen in terms of the type of projects currently financed

by the LFI and the capacity of the LFI to attend to environmental, social risks and identified workers, and their response to emergencies.

Among the critical aspects should be considered the situations of risk / vulnerability of the type of operations of the LFI, as well as the risks that have not been properly identified and / or dimensioned and that do not have satisfactory attention within the environmental and social management foreseen by the IF, among others.

Maximum five (5) aspects

V. Principle opportunities to improve the environmental and social management system

With the same logic of the analysis of the critical aspects, the two sections mentioned there, also allow identifying the main opportunities for the improvement of the SGAS of the IF, briefly capturing those that have clear possibilities of being promoted or supported in the framework of the operation . In this regard, the following criteria should be considered as a priority:

- Opportunities related to the expansion of personnel capacities and physical and economic resources;
- Opportunities related to the improvement of the SGAS, in terms of its structure;
- Opportunities related to improving the response to emergencies; Y
- Opportunities for the promotion of the public image of CAF.

Maximum half (½) page

VI. Environmental and social budget

With the definition of the budget, the operation is intended to internalize the costs of environmental and social management required to address the risks and opportunities identified throughout the DD process and ensure the continuity of the monitoring and monitoring tasks. environmental and social assumption

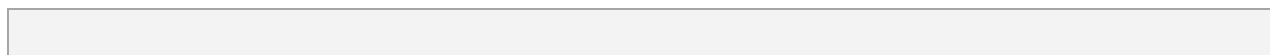
Maximum half (½) page

Management Measures	Cost (USD)	Source of financing	
		CAF Credit	LFI Counter-part
A.- Defined by LFI			
1.			
2.			
B.- Identified by CAF			
1.			
2.			
Total			

VII. Environmental and social viability of the operation

The feasibility of the operation, from the environmental and social perspective, will depend on the fact that it has an ESMS suitable to the portfolio of the LFI, which is backed by the adequate allocation of human, material and economic resources associated, necessary and timely to realize an Adequate monitoring of the operations it finances, both in the financial year of the LFI, and in the DD advanced by CAF.

The foregoing is based on compliance with the environmental, social and labor legislation in force in the country and applicable to the operation, as well as compliance with the Environmental and Social Safeguards for CAF Operations by the LFI and its clients.



Environmental and social Safeguards				
No.	Aspect	Fulfilled?		Observations (*)
		Yes	No	
<i>i.</i>	<i>Evaluation and management of environmental and social impacts</i>			<i>Report on the existence of an environmental and social impact assessment document, specific to the operation and satisfactory for adequate environmental and social management. Include the list of technical-administrative instruments that guarantee compliance with the Environmental Legislation in force in the country.</i>
<i>ii.</i>	<i>Use of renewable natural resources</i>			<i>Inform if the operation requires the use of natural resources (e.g. water and soil) for its execution,</i>
<i>iii.</i>	<i>Conservation of biological diversity</i>			<i>Inform if the operation takes place in protected areas, critical habitats and / or sensitive areas, which ones and if measures are included to prevent, mitigate or compensate the impacts in said areas</i>
<i>iv.</i>	<i>Prevention and management of pollution</i>			<i>Inform if the client has identified the possible sources of contamination to the environmental components and if he has proposed the appropriate measures to prevent this contamination, as well as if he has monitoring measures.</i>
<i>v.</i>	<i>Cultural heritage</i>			<i>Report on the risks of affecting the cultural heritage of the region, in case of existing inform the measures to be adopted to prevent and mitigate said risks</i>
<i>vi.</i>	<i>Ethnic groups</i>			<i>Inform if there are ethnic groups in the area that may be affected, and the measures adopted to mitigate the effects on such groups, including the need to carry out prior consultations, their status and results.</i>
<i>vii.</i>	<i>Resettlement</i>			<i>Report if it is necessary to acquire or use lands that imply the physical or economic displacement of the people residing there, and the measures that will be adopted to reduce their effects.</i>
<i>viii.</i>	<i>Work and training conditions</i>			<i>Report if there is a risk of child labor and the measures adopted by the client to avoid it. Also, inform if there are training programs planned.</i>
<i>ix.</i>	<i>Gender Equality</i>			<i>Report if there is a risk of violating gender equity and the measures adopted by the client to avoid it.</i>

Note: (*) In case of total or partial non-compliance, at the time of the DD, the "NO" column should be marked and therefore, in the observations column, measures must be established to reverse this situation, measures that must be reflected in section VIII. Action plan. Environmental and social conditions for financing.

When the condition is not presented, in observations it must be informed that there is no risk and no column should be marked (YES / NO).

Note: (**) In the event that there is no information regarding compliance with the safeguards by the clients of the LFI, no column should be marked, and the conditions for the loan should include the incorporation of measures into the environmental and social management system that allow the information to be included and verify its adequacy.

VIII. Action plan. Environmental and social conditions for financing

The Action Plan establishes and prioritizes, as conditions, the actions necessary for the operation to comply with the Environmental and Social Safeguards for CAF Operations, as well as the current environmental legislation applicable to it; all of them must be fulfilled to the satisfaction of CAF.

The Action Plan is composed of: (i) the measures identified by CAF, that is, those related to critical aspects and opportunities, identified throughout the DD, and that have not been identified or appropriately sized by the client and (ii) the obligation to report the progress of both the measures identified by CAF and those that derive from compliance with the different management instruments established by the LFI and national legislation.

The environmental and social conditions defined in the framework of the DD process must be relevant, sufficient and appropriate according to the experience, operational capacity, economic rationality and other factors inherent in the operation and portfolio of the LFI.

Maximum one (1) page

ANNEX E – LFI ESMS GAP ASSESSMENT TOOL

F1. Capacity Assessment of LFIs – Screening Template

<i>Name of Operation</i>	
<i>Country</i>	
<i>Client</i>	
<i>Date of Elaboration</i>	
<i>Environmental Executive</i>	

IX. Description of the borrower

Briefly describe the client, including information on its main activities, types of credit it usually grants, reputational background in environmental and social matters, indicating whether or not there are negative information related to previously funded operations.

Maximum half (½) page

X. Productive sectors to which it grants credits

Sector	% of portfolio	Level of Risk (*)
Health		
Education		
Housing		
Commerce		
Tourism		
Agriculture		
Livestock		
Fishing		
Productive Infrastructure		
Transportation		
Energy		
Industry		
Communication		
Mining		
Hydrocarbons		

(*) Risk level as established in Table No. 3 of the Procedure for Evaluation and Monitoring of Corporate and Special Operations

XI. Analysis of the organizational structure of the LFI

Based on the information gathered, a brief description of the organizational structure of the LFI should be made, specifically indicating whether or not it has an ESMS, informing who is responsible for its implementation and the main characteristics of the ESMS.

Include the organizational chart of the organization.

Maximum one (1) page

XII. Identification of critical aspects

According to the background check and depending on the existence or nonexistence of an ESMS, the critical aspects of the operation must be identified.

Maximum five (5) critical aspects

XIII. Recommendations for the evaluation stage

Taking into account the characteristics of the FI and in the framework of the critical aspects identified, recommendations for evaluation must be established.

In the event that the LFI has an ESMS, the recommendations will be oriented to the way of evaluating the system, to verify its adequacy in terms of the amount requested and the predominant portfolio of the LFI.

In case the LFI does not have an ESMS, the recommendations will be oriented to the needs of implementation of a system, requiring the LFI to design a suitable ESMF before the evaluation stage.

Maximum half (½) page

ANNEX F - INDIGENOUS PEOPLES PLANNING FRAMEWORK AND SCOPE OF INDIGENOUS PEOPLES PLAN

Objectives and Principles

This indigenous people planning framework (IPPF) is based on CAF Safeguard 06 on Ethnic Groups and Cultural Diversity (Salvaguarda grupos étnicos y diversidad cultural)²⁹ and will be applied when indigenous peoples (IPs) are present in a subproject's area of influence as identified during the social and environmental screening process or subsequently during the Environmental and Social Impact Assessment. The subproject developers and LFIs are responsible for implementing the necessary actions to meet the requirements outlined by this framework.

There is no universally accepted definition of Indigenous Peoples or cultural diversity. Indigenous Peoples may be referred to in Latin America by such terms as ethnic group (grupo étnico), indigenous people (pueblo indígena), including previously not contacted indigenous people (pueblos indígenas no contactados), or as members of an Afroamerican community (comunidad afroamericana). The GCF Indigenous Peoples Policy provides the definition and applicability of provisions related to indigenous peoples for projects to be supported by the GCF. This IPPF makes reference to the GCF Indigenous Peoples Policy recognizing the various definition and takes into account commonly accepted and applied criteria for identifying indigenous peoples, respecting self-identification as indigenous or tribal as a fundamental criterion for determining its application.

General requirements of the IPPF

The subproject developers and LFIs will identify, through the social and environmental screening and Environmental and Social Impact Assessment, communities of indigenous peoples that may be present in the subproject's area of influence, as well as the nature and degree of the expected social impacts, impacts on physical cultural resources, environmental impacts as well as potential benefits to the Indigenous Peoples. The subproject developers shall put all necessary measures to avoid adverse impacts to indigenous peoples. When avoidance is not feasible, the subprojects will minimize, mitigate or compensate for these impacts in a culturally appropriate manner. The proposed actions will be developed with the informed participation of affected Indigenous Peoples and included in a time-bound Indigenous Peoples Plan (IPP), or a broader community development plan, depending on the nature and scale of impacts. When the subproject is considered high impact due to other potential risk such as conflict around natural resources, the subproject should include measures to obtain free, prior and informed consent and an agreed process for maintaining such consent for the subproject before commencing the subproject.

Subprojects shall establish a continuing relationship with the affected indigenous peoples and communities as early as possible in the subproject planning and throughout the life of the sub-project. Subprojects with indigenous communities in the project area, the consultation process will ensure their free, prior, and informed consent (FPIC) and facilitate the communities' informed participation on matters that affect them, such as proposed impact mitigation measures, sharing of development benefits and opportunities, and implementation issues. The process of community engagement will need to be culturally appropriate and correspond with the potential risks and impacts to the indigenous peoples. In particular, the process will include the following steps:

²⁹ <https://www.caf.com/media/7834014/salvaguardas%20ambientales%20y%20sociales.pdf>

- Involve representatives or representative bodies of indigenous peoples such as councils, elders, etc.;
- ensuring that consultation will be inclusive of both women and men and of various age groups in a culturally appropriate manner;
- provide sufficient time for the collective decision-making process;
- facilitate the expression of views, concerns, and proposals in the language of their choice, without external manipulation, interference, or coercion, and without intimidation;
- ensure that the grievance mechanism established for the project is culturally appropriate and accessible for indigenous peoples' communities; and
- ensure that the IPP and other plans and project documents are available to the affected indigenous peoples and communities in an appropriate form, manner and language.

The aim is to obtain and maintain free, prior and informed consent for the subprojects. This determination generally is based upon collective and evidenced expression of supportive views regarding subproject purposes, plans, and implementation arrangements. This determination does not require unanimity as support may exist even when there is internal disagreement within the community or when there is limited opposition to subproject purposes or proposed arrangements. Requirements for free, prior and informed consent are described in the CAF and GCF safeguard standard on indigenous peoples and aligned to the requirements of the GCF Indigenous Peoples Policy.

Development Benefits

Through the FPIC process and informed participation of the affected IPs communities, subprojects shall identify opportunities for culturally appropriate development benefits. Such opportunities should be commensurate with the degree of project impacts, aimed at improving their living standards and livelihoods in a culturally appropriate manner, and to foster the long-term sustainability of the natural resources on which they depend. The benefits and the agreed process for sharing benefits will be documented through the IPP and provided to the indigenous peoples and communities in a timely and equitable manner to assist in the deliberation and decision-making.

Indigenous Peoples Development Plan

In case indigenous groups are found within the area of influence of a sub-project, or there are sacred places of importance, CAF requests the preparation of a specific plan for said group by sub-project developers. In order to safeguard their physical, territorial, social integrity, cultural and economic, as well as to ensure a process of consultation and free, prior and informed participation, and to provide benefits that are culturally appropriate.

The IPP will be informed by a social and economic assessment, as part of the environmental-social impact assessment, and the consultation processes. The Plan will set out the measures through which sub-borrowers will ensure that (a) physical, territorial, social, cultural and economic integrity of indigenous peoples is safeguarded; (b) indigenous peoples affected by the subprojects receive or partake in culturally appropriate social and economic benefits; and (c) if potential adverse effects on indigenous peoples are identified, those adverse effects will be avoided, minimized, mitigated or compensated. The IPP will provide important inputs to the design and structure of subprojects.

Social Assessment

The social assessment will include the following elements, as may be relevant:

- description of the subprojects and potential issues or impacts to communities including indigenous peoples, indicating if there are subgroups such as indigenous peoples that may be affected differently;
- identification of relevant communities and other key stakeholders to be consulted;
- baseline information on the demographic, social, cultural, and economic characteristics of relevant communities;
- assessment of the potential adverse impacts and benefits likely to be associated with the project including views on such derived from consultations; and
- summary of preferences and concerns of communities relating to project objectives, access and cultural appropriateness of project benefits, mitigation of any adverse impacts, and project implementation arrangements.

Special Requirements

Because indigenous peoples may be particularly vulnerable to the subproject circumstances, appropriate requirements will be required such as those related to addressing impacts to traditional and customary lands, relocation of indigenous peoples, and cultural resources.

(a) Impacts on traditional or customary lands

Indigenous peoples have association with their customary lands and the natural and cultural resources on the land. The use of the land, including seasonal or cyclical uses, by the indigenous peoples and communities for their livelihoods, or cultural, ceremonial, or spiritual purposes that define their identity and community, can be substantiated and need to be duly documented. If the subproject location is decided to be on traditional or customary land, and adverse impacts are expected on the livelihoods or cultural, ceremonial, or spiritual uses that define the identity and community of the indigenous peoples, subproject developers shall ensure that the process of land acquisition is respectful of their use of the land. They will do this by taking the following measures:

- subproject developers shall document efforts to avoid or at least minimize the proposed subproject footprint;
- experts will be engaged to document land uses in collaboration with the affected indigenous peoples' communities without prejudicing their land claim;
- affected indigenous peoples' communities are informed of their rights with respect to their land under national laws, particularly those recognizing customary rights or use;
- subprojects may offer the affected indigenous peoples communities fair compensation and due process such as benefit-sharing mechanisms; and/or land-based and/or in-kind compensation in lieu of cash compensation where feasible; and
- subproject developers enter into good faith negotiation with the affected indigenous peoples' communities and document their informed participation and outcomes of consultations.

(b) Relocation of indigenous peoples.

Subproject developers and LFIs shall consider alternative subproject designs to avoid relocation of indigenous peoples from their communally held traditional or customary land. If such relocation is unavoidable, subprojects will not proceed, unless there has been good faith negotiation with the affected indigenous peoples' communities, and document evidence of free, prior and informed consent

(FPIC) as an outcome from the negotiation and validated by the LFI and CAF. Any relocation of Indigenous Peoples will need to be consistent with the CAF and GCF standards on land acquisition and involuntary resettlement. The option for relocated indigenous peoples to return to their traditional or customary land, should the reason for their relocation cease to exist should remain throughout the project cycle.

(c) Cultural resources

Where a subproject proposes to use the cultural resources, knowledge, or practices of indigenous peoples for commercial purposes, subprojects shall document and inform the indigenous peoples and communities of: (i) their rights under national laws; (ii) the scope and nature of the proposed commercial development; and (iii) the potential consequences of such development. Subprojects shall not proceed with such commercialization unless it: (i) enters into a good faith negotiation with the affected indigenous people communities; (ii) evidence the free, prior and informed consent as outcome from the negotiation and such consent to be validated by the LFI and CAF; and (iii) provides for fair and equitable sharing of benefits.

Indigenous Peoples Sub-Project Checklist

The drafting of an IPP will be activated at sub-project level, if one or more of the following questions are answered with yes:

Criterion	yes/no
Does the project have an influence on legally constituted indigenous territories?	
Does the project have an influence on indigenous communities?	
Does the project directly affect indigenous families?	
Does the project affect areas normally used by indigenous people for hunting, fishing or gathering?	

National legislation on Indigenous Peoples in participating countries

Country	Name of policy	Links
Chile	<ul style="list-style-type: none"> ▪ Since 1993 separate law for the protection and development of indigenous people ▪ Extensive list of relevant legislation concerning indigenous peoples in the areas of: land management, 	<ul style="list-style-type: none"> ▪ Indigenous Peoples Law: https://www.leychile.cl/Navegar?idNorma=30620 ▪ Compilation of relevant legislation as of 2019: https://www.leychile.cl/Consulta/listado_n_sel? grupo_aporte=&sub=806&agr=2&comp

	<p>coastal areas, dedicated funds and others</p>	
Ecuador	<ul style="list-style-type: none"> ▪ Indigenous rights are laid out in the Constitution ▪ Extensive list of relevant legislation concerning indigenous peoples in the areas of: self-management, natural resources, dedicated funds and others 	<ul style="list-style-type: none"> ▪ Constitution: https://www.oas.org/juridico/mla/sp/ecu/sp_ecu-int-text-const.pdf ▪ Compilation of relevant legislation as of 2003: https://site.inali.gob.mx/pdf/Ecuador.pdf
Panama	<ul style="list-style-type: none"> ▪ Indigenous rights are laid out in the Constitution ▪ Extensive list of relevant legislation concerning indigenous peoples in the areas of: land tenure, environmental resources, intellectual property and others 	<ul style="list-style-type: none"> ▪ Constitution: http://ministeriopublico.gob.pa/wp-content/multimedia/2016/09/constitucion-politica-con-indice-analitico.pdf ▪ Compilation of relevant legislation as of 2008: https://burica.word-press.com/2008/02/03/derechos-de-los-pueblos-indigenas-de-panama/
Peru	<ul style="list-style-type: none"> ▪ Indigenous rights are laid out in the Constitution ▪ Extensive list of relevant legislation concerning indigenous peoples on 	<ul style="list-style-type: none"> ▪ Constitution: https://www.oas.org/juridico/spanish/per_res17.pdf ▪ Compilation of relevant legislation as of 2013: https://www.minjus.gob.pe/wp-content/uploads/2014/09/DGDOJ-Compendio-Normativo-Derechos-de-los-Pueblos-Ind%C3%ADgenas.pdf

	all jurisdictional levels	
	▪	▪

Indicative outline of Indigenous Peoples Plan (IPP)

A. Executive Summary

B. Description of the Project: General description of the project, the project area, and components/activities that may lead to impacts on indigenous peoples

C. Description of Indigenous Peoples:

- communities and their names, ethnicities, dialects, estimated numbers;
- location and description of the resources, lands and territories to be affected and communities' relationship with those resources, lands, and territories; and
- identification of any vulnerable groups within the affected peoples (e.g. uncontacted and voluntary isolated peoples, women and girls, the disabled and elderly, others).

D. Summary of Substantive Rights and Legal Framework

- Analysis of applicable domestic and international laws affirming and protecting the rights of indigenous peoples, including but not limited to: constitutional rights, self-determination, ILO Convention 169, IFC Performance Standards, FPIC;
- steps and timetables necessary for achieving legal compliance;
- if applicable, list of the activities that are prohibited until the recognition is achieved.

E. Summary of Social and Environmental Assessment and Culturally Appropriate Mitigation Measures

- Summary of the findings and recommendations of the prior social and environmental impact studies, as applicable, specifically those related to indigenous peoples, their rights, lands, resources and territories.
- Details and associated timelines for the planned measures to avoid, minimize, mitigate, or compensate for identified adverse effects.
- In case of relocation, a description of the consultation and FPIC process leading to the resulting agreement on relocation and just and fair compensation, including the possibility of return.
- Description of measures to protect traditional knowledge and cultural heritage, if applicable.

F. Participation, Consultation, and FPIC Processes

- Summary of results of the culturally appropriate consultation;
- Description of the mechanisms to conduct iterative consultation and consent processes throughout implementation of the Project.

G. Appropriate Benefits: An identification of the measures to be taken to ensure that indigenous peoples receive equitable social and economic benefits, as well as requested capacity development (if applicable) that are culturally appropriate.

I. Grievance Redress: A description of the procedures available to address grievances brought by the affected indigenous peoples arising from Project implementation, including the remedies available.

J. Monitoring, Reporting, Evaluation

K. Institutional Arrangements: responsibilities and mechanisms for carrying out the measures contained in the IPP.

L. Budget and Financing: costed plan, with itemized budget.

ANNEX G - LAND ACQUISITION AND LIVELIHOOD RESTORATION FRAMEWORK AND PLAN

Objectives and principles

This *Land Acquisition and Livelihood Restoration Framework* outlines the general principles, overall strategy and processes should any sub-project within the programme cause any physical or economic displacement, in conformance with the national laws and CAF requirements. This guidance also includes information on the resettlement screening, assessment, institutional arrangements, and processes regarding land acquisition and involuntary resettlement, to be applied by CAF, partner entities of CAF, and sub-project developers and beneficiaries including consultants, project and sub-project staff, as well as related parties. CAF, as an accredited entity, provides ample recognition that land acquisition and land use restrictions due to projects and subprojects can have adverse impacts on land users and communities.

The Land Acquisition and Livelihood Restoration Framework is based on CAF Safeguard 07 - Population Resettlement (Safeguard 07). This *Land Acquisition and Livelihood Resettlement* document elaborates on the CAF document and provides a more comprehensive and detailed process for managing resettlement and associated risks.

The overall principles of the safeguards on involuntary resettlement are the following:

1. Involuntary resettlement and economic displacement will be avoided, or when unavoidable, alternative sub-project designs will be considered to minimize involuntary resettlement and economic displacement.
2. Where involuntary resettlement is unavoidable, affected people shall be identified and compensated for any associated losses. All categories of affected people, with and without legal property rights, should be entitled to compensation.
3. Where displacement is unavoidable, improve or, at a minimum, restore the livelihoods and standards of living of displaced persons, through measures that can be land-based, wage-based and/or enterprise based, so as to facilitate sustainable improvements to their socio-economic status.
4. Land acquisition will be carried out in compliance with the **applicable national legislation**, CAF policies, the IFC Performance Standard 5, this document, and good international practice.
5. **Detailed Land Acquisition and Resettlement Plans (LARPs) in compliance with PS 5 will be developed** for each sub-project that requires the expropriation of land, physical displacement of population, or loss of income due to changes in land use or access to resources. Each LARP shall be subject to public consultation. The LARPs will be based on reliable, up-to-date information and will include basic information about the project, project impacts, affected people and assets, entitlements for all categories of affected people as well as any legal issues relating to resettlement or any gaps between the domestic law and PS 5. Each LARP shall also include a detailed budget and timetable.
6. **All affected persons will be informed and consulted** during LARP preparation, implementation and monitoring.
7. The **baseline socio-economic survey and census** for each LARP will identify both formal and informal land/property users, including vulnerable persons/households, such as single mothers, widows and widowers, disabled people, minority groups, or those living in extreme poverty.
8. The **cut-off date** for the establishment of eligibility (for both formal and informal landowners/users) will be established. Persons who have settled in the project area after the cut-off date will not be eligible for any compensation. The cut-off-date will be disclosed and disseminated publicly for example in the daily newspapers, on public bulletin boards in settlements and consultation meetings in the concerned affected communities.
9. **All owners, occupants and users** of affected land at the time of the cut-off date, whether with or without fully recognized ownership rights, **are eligible for compensation and/or assistance**.
10. **Temporary occupation of land for construction purposes will be compensated** and land subsequently restored.
11. **Standards of living and/or livelihoods of affected persons will be restored and potentially improved**, in as short a period as possible.

12. Compensation will be provided before displacement or imposition of access restrictions. Issues related to **payment of cash compensation will be discussed and agreed with owners and all affected members** of households. Cash compensation will be paid in full or in installments as agreed with the owners and affected members of the households and as defined by contracts, to the bank accounts specified by the owners, with the agreement of all affected members of the household. In cases where there is more than one owner of the property (i.e., co-ownership of married couples), compensation amounts will be divided and paid to the bank accounts they specify.
13. **Project Affected People and communities will be provided with information and consulted** in order to facilitate their early and informed participation in the decision-making process related to resettlement. **Access to information and assistance for vulnerable persons/households will be facilitated** according to their specific needs, on the basis of case-by-case screening to be carried out.
14. An effective grievance mechanism will be in place for receiving and addressing in a timely fashion specific concerns about compensation and relocation raised by displaced persons.
15. **The implementation of the land acquisition and livelihood restoration processes** shall be monitored through institutional arrangements identified in individual LARPs.

General requirements of the Land Acquisition and Livelihood Restoration Framework

The GCF interim safeguards - particularly the IFC Performance Standard 5 - sets the standards for addressing and mitigating risks resulting from involuntary resettlement, including any case of involuntary land taking. "Involuntary resettlement" as used in this document shall refer to physical displacement (relocation or loss of shelter) and economic displacement, including loss of assets or restriction of access to assets that lead to loss of income, as directly or indirectly affected by project activities. Involuntary resettlement arises when persons or communities do not have the right to refuse or object to land acquisition or restrictions on land use, resulting in physical or economic displacement. This occurs in cases of (i) lawful expropriation, or temporary or permanent restrictions on land use, and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller failed.

As most beneficiaries and LFIs are private sector organizations, land requirements are expected to be acquired through a market transaction under a willing seller-willing buyer process. Such acquisition will ensure an appropriate level of due diligence by CAF and its partners to ascertain willing seller-willing buyer process.

Involuntary land acquisition is highly unlikely in the context of the proposed GCF project, however, safeguards are in place to ensure an appropriate response should it be identified that specific land is necessary for subprojects. This can also occur if the options for land are limited because of constraints, and a negotiated settlement is not successful, in which case the requirements of involuntary land acquisition under this Resettlement Policy Framework (RPF) will be implemented. Involuntary resettlement will also be avoided as a priority, but there may be cases, such as in protected areas and forests, where people's access is restricted or their livelihoods affected. In these cases, the RPF requirements will also apply. The RPF specifies the preparation of Resettlement Action Plan (RAP) for involuntary land acquisition or resettlement. Subproject developers and LFIs will refer to the principles and requirements of this framework as well as those of CAF's and GCF's safeguard standard on land acquisition and involuntary resettlement.

A willing seller and willing buyer approach or mutual agreement can be applied to privately owned land according to the country system. Above that threshold and / or when the land status is not privately owned, land acquisition is implemented under the eminent domain principle. This approach could involve physical and economic displacement. The same standard procedures as discussed in the RPF will be integrated into the TORs, guidelines and other outputs following the exploration phase, to be implemented in any post-project phases. The TORs are provided at the end of this document.

The below detailed issues relating to involuntary resettlement will be assessed in line with IFC related Performance Standards, and applying the same mitigation hierarchy, i.e. avoiding, and where avoidance is impossible, mitigate adverse impacts to people and the environment through minimization and/or compensation of negative E&S risks. In this case, IFC Performance Standard (PS) 5 applies. All Subprojects must look at avoiding displacements, and if not possible, must comply with PS5 in the compensation of affected communities and individuals. This applies to physical displacement and economic displacement. Impacts on assets and livelihoods must be taken into consideration.

Whenever a Project or a Subproject is classified as high-risk project, IFC Performance Standards and related Guidance and Interpretation Notes must apply. The LFIs are responsible for such application on Subprojects and CAF ensures, through appropriate E&S due diligence on Projects, that LFIs do apply such requirements and have the capacity to do so.

To that purpose, the E&S risk identification process must identify whether PS5 applies, i.e. if the investment meets one of the types of land-related transactions listed in Article 5 of PS5. Based on this initial assessment, a Resettlement Action Plan (RAP) or a Livelihood Restoration Plan (LRP) can be required and must be carried out following PS5 requirements.

Indicative Terms of Reference for a *Land Acquisition and Livelihood Restoration* Framework are available in Section **¡Error! No se encuentra el origen de la referencia..**

Country laws and policies related to land acquisition

CAF and the LFIs will assess country laws and policies related to land acquisition. A comparison and gaps assessment between the country laws and policies, and the GCF and CAF safeguards standards relevant to land acquisition and involuntary resettlement will identify any gaps in the policies and requirements and the gap filling measures that will be implemented at the subprojects. The comparison also identifies the most stringent measures and approaches that may be adopted by the subprojects.

The comparison between country laws and policies and safeguards standards related to land acquisition will take into consideration requirements to be met in acquisition and resettlement, eligibility for compensation, valuation, treatment of displaced people without formal tenure to the land or properties, requirements for stakeholder consultation and grievance redress, among others.

As the potential LFIs and project developers are mainly private sector, the process of the land acquisition will comply with the relevant national regulations as well as principles and requirements of the GCF interim ESS standards (IFC Performance Standard 5) as described in this ESF to mitigate adverse social and economic impacts due to land acquisition and the transaction should conduct with good faith negotiation if the process of land acquisition or lease through voluntary acquisition.

Required information for the involuntary acquisition

As part of the subproject development, subproject developers and LFIs will provide information on land requirements including existing land ownership and land use. CAF and LFP will review the information and determine options and remedies if there are any circumstances that would impede conformance with the ESS standards. The assessment or due diligence by CAF and LFIs will include the following information and documentation:

- assessment of the temporary and permanent impacts of land acquisition or expropriation, and categories of persons/households affected, number of lands/plots affected, the percentage of land/plots affected in any landholding, land use before and after the acquisition, prior land use and number of owners;

- documentation of the socioeconomic situations of affected households to understand the adverse impacts on livelihoods of displaced persons and provide restoration measures to compensate for their income losses;
- valuation and compensation standards applied for temporary and permanent loss of land, loss of crops, loss of productive trees, loss of residence and businesses following the requirement for full replacement cost;
- provision for replacement land and description of resettlement areas, if relevant, and
- provision of stakeholder engagement, grievance redress and monitoring.

A grievance mechanism will be put in place early in the process to receive and address stakeholder comments and questions in a timely manner and provide further information on compensation and livelihood restoration measures to the people affected by physical or economic displacement. The grievance mechanism shall include a recourse mechanism designed to resolve disputes in an impartial manner. Grievances will be addressed in a timely manner and will be recorded in a grievance log with details of the issue, acknowledgment of receipt, actions taken and date of resolution. A sample grievance form is provided at the end of the document.

The matrix for identifying the applicable instrument for land acquisition and resettlement is as follows:

Trigger	Instrument
Voluntary land acquisition through a willing buyer-willing seller, or market transaction arrangement.	No instrument required List of landowners, size of land, minutes of consultations, sales agreements and invoices are documented.
Assets are affected by a sub-project, but not related to land acquisition or resettlement.	Determined in the environmental and social assessments and Incorporated in the ESMP of the subproject
When involuntary land acquisition for a sub-project affects less than 200 people, less than 10% of households' productive assets are affected and/or does not involve physical relocation.	An abbreviated Resettlement Action Plan (ARAP) and/or Livelihood Restoration Plan (LRP)
When involuntary land acquisition for a sub-project affects more than 200 people, affects more than 10% of households' productive assets and/or involves physical relocation.	A comprehensive RAP and/or Livelihood Restoration Plan

Subprojects requiring involuntary resettlement of third parties from public land, the subproject developers develop a RAPs and/or LRPs, and submit to LFP and CAF for approval before implementation of land acquisition and resettlement. RAPs will include a detailed description of resettlement planning and implementation. The scope and level of details of the RAP will vary with the magnitude and complexity of the land acquisition and compensation issues. The RAPs will be disclosed and implemented by the subproject developers.

Negotiated Land Settlement or Voluntary Transaction

The negotiated land acquisition, or voluntary transaction, will be the preferred method for acquiring land. The locations of the subprojects, and supporting infrastructure will be based on some negotiations as to which site is selected based on land-owners' willingness to sell or lease land. The LFIs and

partner institutions will apply the principles for negotiated land acquisition / voluntary transaction to include:

- (a) Meaningful consultations with project-affected people, including those without legal title to land and assets;
- (b) The offer of a fair price for land and other assets at replacement cost. Deduction of income tax for the land transaction will be openly communicated with and agreed by the project affected people;
- (c) Transparency in negotiation free of pressure and coercion with project-affected people to reduce risks of asymmetry of information and bargaining power of the parties. An independent external party will be engaged to document and validate the negotiation and settlement process. Verification (for example, notarized or witnessed statements) of the voluntary nature of land donations must be obtained from each person selling or leasing land.

For land acquisition using willing-seller and willing-buyer approach, subproject developers will document the land acquisition preparation and implementation that will include, at least: list of affected landowners and size of land acquired, the procedure for determining the assets value, minutes of consultation and negotiation and amount/level of compensation offered to the affected landowners.

Eligibility criteria for affected persons and cut-off dates

For the purposes of this framework, eligibility for a project affected person is described below.

- any person or household adversely affected by the acquisition of assets or change in use of land due to exploration activities;
- any vulnerable and affected person including women, destitute, artisans, tribal communities, squatters,
- those with usufruct rights, poverty groups depending for livelihood upon the land to be acquired by the project; and
- any other person who may prove and establish his/her right as an affected person to the satisfaction of the subproject developer and agreed with the LFIs and CAF.

The cut-off date for eligibility for compensation and/or resettlement assistance is the last day of the census/inventory of assets. The affected people / communities will be informed of the cut-off date through the responsible agencies, community elders and leaders.

Entitlement

The ESS safeguards of GCF requires compensation be paid at replacement value in addition to transitional assistance. Land is replaced with that of equal value and amenities. Livelihood assets are replaced with those of equal value. Benefit sharing is assured through additional support mechanisms where possible. Project affected people will be entitled to value compensation, rehabilitation, and resettlement support as described in the entitlement matrix as follows:

Type of Loss	Category of Project Affected Person	Compensation Entitlements
<ul style="list-style-type: none"> ▪ Permanent agricultural land loss 	<ul style="list-style-type: none"> ▪ Owner: Person / group with legal title/registration of land ownership (including customary and traditional rights under country's laws and policies) 	<ul style="list-style-type: none"> ▪ Full replacement cost and relocation allowance.
	Tenant	Cash compensation for above ground assets and relocation allowance. Owner/tenant agreements apply
	Encroachers/informal or unofficial land users	Cash compensation for above ground assets and relocation allowance
Permanent residential land loss	Owner: Person / group with legal title/registration of land ownership (including customary and traditional rights under country's laws and policies)	Full replacement cost and relocation allowance
	Tenant	Relocation allowance
	Encroachers/informal or unofficial land users	Relocation allowance
Permanent commercial land loss	Owner: Person / group with legal title/registration of land ownership (including customary and traditional rights under country's laws and policies)	Full replacement cost and relocation allowance and compensation for temporary income loss
	Tenant Encroachers/informal or unofficial land users	Relocation allowance, compensation for temporary income loss
Temporary land loss	Owner: Person / group with legal title/registration of land ownership (including customary and traditional rights under country's laws and policies)	Cash compensation for rent, or, plot rehabilitation equivalent to 1/10th of market land value.
	Tenant Encroachers/informal or unofficial land users	Cash compensation lump sum equivalent to 1/10th of market land value shared between land users as per proportions.
Residential building loss	Owner: Person / group with legal title/registration of ownership	Cash compensation for a residential building at replacement value based on market price free of depreciation/ transaction costs and salvaged materials plus relocation allowance. Partial impacts will entail the compensation of the affected portion of the building plus repairs to return to at least pre-project standard.

	Tenants / squatters in residential buildings who are identified in the census.	Relocation and severe impact allowance as below.
Commercial and non-residential buildings/asset losses	Owner of commercial or non-residential buildings/assets with registration or who is identified in the census	Cash compensation for non-residential building and other fixed assets at replacement value based on market price free of depreciation/transaction costs and salvaged materials plus relocation allowance. Partial impacts will entail the compensation of the affected portion of the building plus repairs.
	Tenants/squatters in commercial or non-residential buildings/assets who are identified in the census	<ul style="list-style-type: none"> ▪ Relocation and severe impact allowance as below.
Crop losses	Owner of crops	Advance notice to harvest the last crop. Cash compensation to the equal amount of market value of crop lost plus cost of replacement of seed based on Agriculture Department estimate.
Tree losses	Owner of the tree	Advance notice to harvest tree products. Salvage material free of cost. Cash compensation to the equal amount of market value of tree lost plus the cost of replacement of seed based on Agriculture Department estimate taking into account type, age and productive value.
Income losses	All project affected people, all income (employment, business)	For a permanent impact, cash compensation. For a temporary impact, cash compensation of net income or salary for the number of months of business or employment stoppage. Assessment to be based on paper evidence or oral testimony and confirmation. At least government decreed minimum salary will be provided.
Community structures or public Infrastructure losses (including religious and public service structures)	The public via leadership of the relevant authority	Reconstruction of lost structure in consultation with the community. They will be fully replaced or rehabilitated to satisfy their pre-project functions taking into account any recognized new needs that could increase use or service levels.
Allowance for severe impacts. Rehabilitation assistance for PAPs with more than 10 percent of landholding affected to be relocated	All severely affected PAPs including informal settlers and relocated tenants	For severe land impacts, an additional allowance equal to the market value of the land for one year. For those being relocated, a rehabilitation allowance.
Allowance for relocation (transport and transition costs)	All projected affected people	Provision of funds to cover transport costs and livelihood expenses up to a time determined by law or as agreed.

Allowance for especially vulnerable people	<ul style="list-style-type: none"> ▪ Especially vulnerable' include households headed by a single parent, woman or widow; include a pregnant woman or woman with a newly born child; and have a family member who has a disability, long-term illness, or who has mobility challenges. 	Allowance equivalent to 6 months of average annual salary and employment priority for a household family member in project-related jobs.
Unforeseen impacts		Will be documented and mitigated or compensated in the RAP, based on the principles in the RPF

Verification

The programme will monitor and verify all land acquisition for compliance with the ESF and RPF and alignment with the CAF and GCF safeguards standards, through its own processes or through an independent agency. This process will audit the documentation and interview landowners and affected land / resource users to verify both the process and the outcomes. Any discrepancies or non-compliances will be brought to the attention of CAF and will be recorded as a grievance in the GRM for resolution through that process.

Indicative TOR for developing a Land Acquisition and Livelihood Restoration Plan

Background and Introduction

- This section will present an overall summary of the proposed project in terms of the project developer, project components and associated land impacts, based on findings of Scoping Report.

Objectives of the RAP/LRP

- Client to confirm applicable standards to be adopted by the land acquisition and resettlement exercise, typically this is national regulation and lenders requirements.
- Objectives of the RAP/LRP include:
 - 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, minimise 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.
 - To improve, or restore, the livelihoods and standards of living of displaced persons.

General Requirements of Contractor

Skills and Composition

The RAP Contractor will provide a team with the requisite skills to carry out the tasks to achieve a resettlement action plan that meets the requirements outlined below. The team will include experts with demonstrated expertise in the following areas: resettlement, socio-economist, land-use planner, public consultation.

Time Frame

This section will describe the time frame requirement for preparation of the RAP/LRP.

- **Scopes and Tasks**

Project Management

- Consultant to appoint a Project Manager with extensive experience in preparing RAP/LRP that meet requirements of 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 Client and timely delivery of the final products

Description of Regulatory Framework

- Identification of national, regional land acquisition and resettlement legal requirements, permitting procedures and compensation eligibilities.
- Identification of international financing requirements;
- Identify and bridge gaps between the above two and state project land acquisition and resettlement strategies.

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.

Identification of affected people and Community

Identify project affected people and community through field surveys:

- Census to enumerate all affected people and register them according to location;
- An inventory of lost and affected assets at the household, enterprise, and community level;
- Socio-economic surveys and studies of all affected people (including seasonal, migrant, and host communities);
- Analysis of surveys and studies to establish compensation parameters, to design appropriate income restoration and sustainable development initiatives, and to identify baseline monitoring indicators; and
- Consultation with affected populations regarding mitigation of effects and development opportunities.

Stakeholder Engagement and Public Disclosure

All LARPs will include provisions for consultations and engagement with project-affected people and other relevant stakeholders. Affected men and women shall be involved from the earliest stages and through all resettlement activities. This will facilitate early and informed participation of affected persons in decision-making processes related to resettlement. Necessary action may need to be taken to ensure that vulnerable groups are not disadvantaged in the resettlement process, are fully informed of their rights, and are able to benefit equally from the resettlement opportunities.

- Map out key stakeholders and develop specific strategies of engagement throughout the RAP/LRP process. Note: include host communities if physical displacement requires a resettlement site.
- Client will list disclosure requirements in this section.

Eligibility Criteria and Compensation

The consultant will:

- 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 above. 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 that identifies:
 - All categories of affected people;
 - 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 replacement values 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 which build upon the existing social, economic and cultural parameters both of the people 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 people 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.

4.7 Grievance Mechanism

Develop a 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.

4.8 Implementation Arrangement

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

4.9 Monitoring and Evaluation

Prepare a monitoring and evaluation plan, identifying the responsibilities, time frame and some key indicators. This will include on-going monitoring by key agencies supplemented by an independent evaluation. Specify the time frame for monitoring and reporting.

4.10 Budget

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

Deliverables

Present the requirements and timeframe for all deliverables.

Indicative Content of a Land Acquisition and Livelihood Restoration Plan

- **Legal framework:** Description of the legal framework in force in the country regarding the acquisition process of land for the case of the proposed Project that indicates the steps, procedures, valuation methods, rights and duties of the people involved, national standards or international that endorse the mitigation and compensation measures for the groups involved in the Resettlement Plan.
- **Institutional setup:** Description of the organizational unit within the entity that will execute the Project that will be in charge of the planning and execution of the Resettlement Plan and / or Socio-economic Conditions of Resettlement, human, physical and financial resources assigned and levels of decisions.
- **Resettlement Plan:** This section describes in detail measures to prevent, mitigate or compensate for the losses and negative impacts facing the population to be displaced (housing, income, access to education and health services, public services, restructuring of economic networks and social, social and community reorganization), which will continue to reside in the place (which respond to the identified impacts and the recipient if it has already been identified). The plan must include the schedule and the budget for its execution.
- **Restoration Plan for Socioeconomic Conditions:** This plan consists of measures to prevent, mitigate or compensate for the loss of economic activity and income faced by people who develop

subsistence activities or generation of entry into the areas required or intervened by the Project but that do not lose their place of housing. The Plan must include the schedule and the budget for its execution.

- **Relocation Plan In-Situ:** This Plan is aimed at property owners or residents partially affected, whose remaining areas are viable. It is made up of measures related to the acquisition and compensation of the required partial area of each property; the fractionation procedures of these areas and the changes in the deeds or title deeds; as well as measures to support the reconstruction of housing and infrastructure, or for the installation of activities in the remaining areas. The Plan must include the schedule and the budget for its execution.
- **Budget, Timetable, Monitoring and Evaluation:** The measures that make up the previous Plans (Resettlement, Resettlement of Economic Activities, Relocation In Situ) should establish their objectives, goals, activities, who is responsible for them, the schedule and budget for their implementation, the source and allocation of resources, and the monitoring and evaluation indicators. The timetable for the development of the measures must be articulated with the project schedule, so that the measures are applied before any impact is manifested. It must also specify whether the budget to execute the Plan is included within the structure of the project costs and if these resources will come from the credit granted by CAF through LFIs, from another source or from a combination of sources. Consultation mechanisms should also be included that were carried out with the population involved on the objectives, scope and Schedule of the Plan.

Sample Grievance Form

GRIEVANCE FORM Reference No: _____	
Full Name <i>Note: you can remain anonymous if you prefer or request not to disclose your identity to the third parties without your consent</i>	My first name _____ My last name _____ <input type="checkbox"/> I wish to raise my grievance anonymously <input type="checkbox"/> I request not to disclose my identity without my consent
Contact Information Please mark how you wish to be contacted (mail, telephone, e-mail).	<input type="checkbox"/> By Post: Please provide mailing address: _____ _____ <input type="checkbox"/> By Telephone: _____ <input type="checkbox"/> By E-mail: _____
Preferred Language for communication	<input type="checkbox"/> Language 1 <input type="checkbox"/> Language 2
Description of Incident or Grievance:	What happened? Where did it happen? Who did it happen to? What is the result of the problem?
Date of Incident/Grievance	
	<input type="checkbox"/> One-time incident/grievance (date _____) <input type="checkbox"/> Happened more than once (how many times? _____) <input type="checkbox"/> On-going (currently experiencing problem)
What would you like to see happen to resolve the problem?	

ANNEX H - STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE FRAMEWORK

Community and stakeholder engagement is a key component of the Program E&S Framework. Stakeholders are defined as groups or individuals who are directly and/or indirectly affected by a project, who have or may have interest in it, or may influence it in a positive or a negative way. As such, stakeholders can be local communities, individuals, their representatives, governmental bodies, civil society organizations, etc.

CAF approach to Stakeholder Engagement and Information Disclosure

CAF operates in a transparent and accountable manner, requiring that relevant information, including related to E&S issues, is made available to the affected and potentially affected communities, as well to external stakeholders of CAF in general. To that aim, CAF publishes information on financed projects and programs on its website.³⁰ CAF involves and develops partnership and/or consultation with civil society at all stages of project life cycle, including project design, implementation, and evaluation. Views and concerns of local authorities, affected communities and local civil society organizations on potential impacts of financed activities, in particular in case of significant E&S issues, is crucial. For that purpose, CAF ensures through contractual commitments and technical assistance that the project owner consults and engages all project stakeholders and local communities in particular. Interests and concerns of stakeholders are also taken into account in project evaluation.

Approach for the Programme

Stakeholder consultation has been carried out during the feasibility phase at country level in all four participating countries. Stakeholders to be involved in the Program at country level are local financial intermediaries and, in some cases, regulatory bodies, NGOs and sector initiatives that these local banks are working with directly. At Subprojects level, stakeholders are SME clients of local financial intermediaries.

In the framework of the Program and in line with GCF approach to stakeholder engagement, CAF requires LFIs to ensure the effective engagement of communities, vulnerable populations, groups and individuals, indigenous peoples, local communities and other marginalized groups of people and individuals that are affected or potentially affected by Program activities, according to national legislation. Information related to E&S issues on activities financed in the framework of the Programme is made available in compliance with GCF Information Disclosure Policy and shall be disclosed on CAF's website. This includes the present E&S Framework, which is made available in English and Spanish.

In relation to each Sub-Project that is Category B (pursuant to the Environmental and Social Risk Categories), disclose the ESIA and ESMP and, as appropriate, inclusive of the Land Acquisition and/or Resettlement Action Plan ("LARAP") and any other associated information including those relevant to indigenous peoples required to be disclosed pursuant to the Information Disclosure Policy and the Environmental and Social Policy (each, the "Sub-Project Disclosure Package"). The Accredited Entity or the LFIs according to their environmental and social management systems requested shall disclose the Project Disclosure Package at least thirty (30) calendar days prior to its approval of the relevant Category B Sub-Project, in English and in local language (if not English), on its website and in locations convenient to the affected peoples, and submit the Sub-Project Disclosure Package to the Fund for

³⁰ <https://www.caf.com/es/proyectos/>

subsequent distribution to the GCF Board and the Fund's active observers and for publishing in the GCF website. In the case of disclosure by LFIs, it will be included a link on CAF's website to the aforementioned process.

Pursuant to the procedure agreed by the Parties in relation to Category B Sub-Projects, prior to the finalization of each Sub-Project Disclosure Package, the Accredited Entity shall deliver such documentation for the review and comment by the Fund and take into account such comments in the finalization of the Sub-Project Disclosure Packages and/ or consider these comments in the project ESMP, as applied.

At Program level, stakeholder identification and consultation with LFIs will be ongoing throughout the duration of the program according to their level of interest and influence in the project. In addition, in case an ESIA is needed at sub-project (i.e. SME loan) level, stakeholder analysis must be conducted on aspects of the loan that might generate adverse E&S impact to local communities and individuals and other stakeholders.

As per activities financed through LFIs, LFIs have to ensure compliance of their investments with IFC Performance Standards and provide to affected communities and other stakeholders, where applicable, access to relevant information on: (i) the purpose, nature, and scale of the project, (ii) the duration of proposed project activities, (iii) any risk and potential impacts on such communities and relevant mitigation measures, (iv) the envisaged stakeholder engagement process, and (v) the grievance mechanism. In the particular case of SME loans with adverse impacts to indigenous peoples, it will be required to obtain Free, Prior, and Informed Consent (see Indigenous Peoples Framework).

E&S Grievance redress and complaints mechanisms

CAF has a combined approach to grievances and complaints regarding projects funded under its credit lines:

- An E&S grievance mechanism is an out-of-court recourse mechanism that allows any person or group of persons affected by the E&S impacts of a project to submit a complaint. Purpose of such mechanisms, as per GCF Policy (7.3) is to provide room for grievance and redress, and facilitate resolution of grievances about the E&S impacts of the activity. The Program approach to E&S grievance and redress relies on CAF and GCF's E&S grievance procedures, the LFI's approach to E&S grievance and potential grievance mechanisms and grievance mechanisms set up in the framework of sub-projects. As a result, the recourse to GCF Independent Redress Mechanism³¹ and to CAF's Complaints Mechanism³² is made possible for all levels of the Program.
- CAF's Complaints Mechanism aims to ensure that there is an independent handling of complaints sent to CAF, by one or several natural or legal persons, concerning the environmental or social impacts of a project, corruption and fraud, or other issues related to activities whose financing has been allocated by CAF. The Program approach to complaints relies on CAF's complaints procedures and the LFI's approach to complaints handling. As a result, the recourse to CAF's Complaints Mechanism is made possible for all levels of the Programme.

The mechanism's rules and procedures are disclosed on the CAF website³³, including a downloadable form to file complaints.

³¹ <http://www.greenclimate.fund/independent-redress-mechanism>

³² <https://www.caf.com/es/sobre-caf/que-hacemos/acceso-a-la-informacion/comite-de-transparencia/>

³³ <https://www.caf.com/es/sobre-caf/que-hacemos/>

Grievance mechanisms at program and sub-project level

As described above, partner LFIs are encouraged to involve in CAF's E&S grievance and complaints mechanism through the Credit Facility Agreement. CAF's relevant mechanisms and procedures are introduced to the LFI during program implementation, if not already done. In the framework of their capacity-building in ESRM, LFIs involved in the Programme are strongly encouraged to have their own E&S grievance mechanisms. On a case-by-case basis to be discussed between CAF and the LFI, support to LFIs in design or implementation of such mechanisms can be added to technical assistance programs.

At sub-project level, grievance mechanisms must be designed to receive and facilitate concern or conflict resolution as the case may be, in relation with E&S risks and impacts of the specific projects. The need or relevance of designing such mechanisms shall be assessed during sub-project E&S evaluation, if applicable. Grievance mechanisms must be tailored to the level of project E&S risks and impacts, with the purpose of resolving concerns or conflicts through an understandable and transparent consultative process consistent with project and/or local context. The mechanism shall be free, and shall not impede access to judicial or administrative remedies. Project owners must communicate on the existence of such mechanisms and inform project stakeholders accordingly. Grievance mechanisms at Project level are developed firstly in order to allow amicable resolution of a dispute or complaint. If not possible, then the complaint has to be solved through a formal legal process.

At Subproject level, grievance mechanisms can cover a range of aspects of the project, including general aspects such as planning, construction, and operation, E&S due diligence process and their impact, and specific issues such as resettlement processes and related compensation.

High-risk sub-projects are excluded from funding under the proposed program. LFIs are required to follow national legislation on stakeholder engagement in their respective countries. The following table gives an overview of key policies. For relevant legislation on indigenous peoples, specifically on FPIC, please refer to the Indigenous Peoples Framework.

National legislation on stakeholder engagement in participating countries

Country	Short summary	Links
Chile	<ul style="list-style-type: none"> ▪ Chile has extensive legislation on peoples' right to associate, participate in and have access to all public decision making processes and related information. ▪ A national Ombuds agency handles grievances. 	<ul style="list-style-type: none"> ▪ Law on public participation: http://participacion-ciudadana.subdere.gov.cl/ley-20-500 ▪ National Ombuds Agency of Chile: http://www.ombudsman.cl/ ▪ Compilation of relevant legislation as of 2019: https://www.leychile.cl/Consulta/lis-tado_n_sel?_grupo_aporte=&sub=753&agr=2&comp
Ecuador	<ul style="list-style-type: none"> ▪ Ecuador has extensive legislation on peoples' right to have access to all public decision making processes and related information. ▪ A national Ombuds agency (Defensoría del Pueblo) handles grievances. 	<ul style="list-style-type: none"> ▪ National Ombuds Agency of Ecuador: http://www.dpe.gob.ec/tag/ombudsman/ ▪ Law on transparency and access to information: https://www.educacionsuperior.gob.ec/wp-content/uploads/downloads/2014/09/LOTAIP.pdf ▪ Law on public participation: https://www.educacionsuperior.gob.ec/wp-content/uploads/downloads/2014/10/DynamicPDF-1.pdf
Panama	<ul style="list-style-type: none"> ▪ Panama has extensive legislation on peoples' right to have access to all public decision making processes and related information. 	<ul style="list-style-type: none"> ▪ National Ombuds Agency of Panama: http://www.defensoriadelpueblo.gob.pa/ ▪ National Assembly on citizen participation: http://www.asamblea.gob.pa/participacion-ciudadana/

	<ul style="list-style-type: none"> ▪ A national Ombuds agency (Defensoría del Pueblo) handles grievances. 	<ul style="list-style-type: none"> ▪ Compilation of relevant legislation on access to information: http://www.antai.gob.pa/legislacion/
Peru	<ul style="list-style-type: none"> ▪ Peru has extensive legislation on peoples' right to associate, participate in and have access to all public decision making processes and related information. ▪ A national Ombuds agency (Defensoría del Pueblo) handles grievances. 	<ul style="list-style-type: none"> ▪ National Ombuds Agency of Peru: https://www.defensoria.gob.pe/ ▪ Congress of Peru on citizen participation: http://www.congreso.gob.pe/participacion/ ▪ Peru access to information portal: http://www.transparencia.gob.pe/
	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪

Indicative Outline of Stakeholder Engagement Plan

In the exceptional cases that a Stakeholder Engagement Plan is necessary at sub-project level, the following provides an outline for LFIs. Stakeholder Engagement is expected to be carried out in line with World Bank Group E&S Standards:

- <http://www.worldbank.org/en/projects-operations/environmental-and-social-frame-work/brief/environmental-and-social-standards#ess10>
- https://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC_StakeholderEngagement.pdf?MOD=AJPERES

1. Introduction

1.1. Project presentation

1.2. Project context

1.3. Principles of stakeholder engagement related to the project

2. Applicable regulations related to stakeholder engagement

2.1. Applicable national regulations and related requirements

2.2. Applicable international standards and related requirements

2.3. Other applicable standards

3. Analysis of project stakeholders

3.1. Approach to stakeholder identification

3.2. Definition and proposed approach to groups of stakeholders

4. Activities related to stakeholder engagement

4.1. Communications and information disclosure for the project and related studies

4.2. Consultation activities carried out to date

4.3. Activities and monitoring indicators for stakeholder engagement

5. Grievance redress mechanism

5.1. Principles

5.2. Procedures

6. Monitoring and reporting for stakeholder engagement activities

6.1. Monitoring

6.2. Reporting of activities

6.3. Annual reporting