



ENVIRONMENTAL AND SOCIAL SAFEGUARDS POLICY

P-24/2018

Department Responsible: Project Management

OBJECTIVE:

Establish environmental and social safeguards to prevent or minimize any negative social or environmental impact on the activities that are funded.

ORGANIZATIONAL SCOPE:

This policy mandatorily applies to projects funded by GEF.

VALIDATION

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RELATED DOCUMENTS:

- P-21 Project Appraisal and Selection Policy;
- P-22 Project and Program Appraisal Policy;

Privacy:

This document is public and is available on Funbio's website. It should not be edited or altered without previous consent.

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I. INTRODUCTION

1. Funbio recognizes internal environmental and social safeguard practices and policies as an integral part of efforts for sustainable development. Although Funbio, by its very nature, does not rely on projects that imply in significant environmental risks, it is important to document possible negative impacts of the projects, as clearly as possible, to minimize operational and reputational risks.
2. Funbio has been working on project safeguards systems since 2002 with the approval of ARPA, Phase I, and subsequently on all GEF-funded projects that it has implemented. However, motivated by accreditation as a GEF agency, a process started in 2013 and which represented a new role in the way Funbio funds projects, a policy of its own was developed by the team with the help of a group of consultants. For now, the policy would only be used in projects where Funbio would be the GEF Implementing Agency.
3. The social and environmental safeguards system described in this document can be seen as a project design tool that aims to guide project implementation to minimize, mitigate, compensate and monitor potential negative impacts in case it is not feasible to avoid them through the description of possible adverse environmental and social impacts well before the commitment of funds, analyzing potential technical, economic and social alternatives.
4. The third version of the document presents a major revision of this policy, following the initial experience of Funbio and a greater understanding of the team of this type of mechanism. This revision was aimed at facilitating the application of safeguards and updating it. In addition, we discussed the need for Funbio to have its own set of safeguards or to "adhere" to an existing structure that would fulfill its needs.
5. Thus, Funbio's Advisory Board approved at the end of 2017 that the International Finance Corporation (IFC) Performance Standards (PS)¹ structure be adopted as Funbio's basic safeguards structure. This means that Funbio will use the tools and expertise that exist on Performance Standards as a minimum standard, and may go further if it decides so, or the GEF standard and other bi or multilateral institutions establish, in these cases, the policies and procedures they will receive an update to reflect these needs.

¹ We refer to each of the Performance Standards as PS1 to PS8 from here on.

6. This policy will be used in all projects where Funbio is implementing GEF projects² and may be extended to other partnerships with institutions.

II. DECLARATION OF PRINCIPLES

7. Funbio recognizes the importance of explicit social and environmental safeguards policies and practices that set a minimum standard in the following eight areas:
 - PS1 - Evaluation and Management of Socioenvironmental Risks and Impacts
 - PS2 - Employment and Labor Conditions;
 - PS3 - Resource Efficiency and Pollution Prevention;
 - PS4 - Community Health and Safety;
 - PS5 - Land Acquisition and Involuntary Resettlement;
 - PS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources;
 - PS7 - Indigenous Peoples
 - PS8 - Cultural Heritage
8. This document outlines how Funbio uses Performance Standards to align to a minimum standard in the areas listed above.
9. As much as possible, Funbio engages local stakeholders in efforts to obtain information on the proposed project and incorporate relevant concerns, monitor potential social and environmental impacts of projects, and guide the necessary adjustments to avoid, minimize, mitigate and compensate for potential negative impacts.
10. Funbio's complaint system should be widely disseminated to project partners, stakeholders and on the Funbio website as the primary channel for project safeguards issues.
11. Finally, monitoring of safeguards issues should be part of the day-to-day monitoring of projects, being a mandatory item in the list of official supervision missions of the projects funded and can be reassessed at any time needed.

² Funbio is currently in the process of accreditation by the Green Climate Fund (GCF) and this policy will also be mandatory in the event that Funbio is accredited, at which point it should update this policy to clearly reflect this obligation throughout the document.

III. WHEN IS THIS POLICY USED

12. Funbio works with several different funders, from international (bi and multilateral) organizations, to Foundations and the private sector. Some of these funders have their own safeguard policies, as is the case when Funbio implements a GEF project led by the World Bank or the IDB (GEF MAR, ARPA, GEF *Terrestre*). In this case, Funbio is not responsible for the structure of safeguards, but for executing a project that had an environmental and social assessment and executing the procedures that have been defined by the implementing agency so that the safeguards are met.
13. In the event that Funbio is the project implementer, if there are other executors (in the case of GEF *Espécies* and other GEF projects with this role) or if it is both implementer and executor at the same time, these policies always apply.
14. In the case of projects where Funbio is the executor, and the funder does not have a safeguards policy, Funbio will propose that this policy be used.

IV. INSTITUTIONAL STRUCTURES

15. Funbio appoints one staff person as the Focal Point for Environmental Safeguards and another as the Focal Point for Social Safeguards. These people are responsible for the coordination, implementation and oversight of the Environmental and Social Safeguards Policy.
16. Funbio will maintain a pool of *ad hoc* specialists in the various relevant fields, which will be used for specific tasks in the implementation of the Environmental and Social Safeguards Policy.
17. Even though we recognize that Funbio's ability to manage safeguards has increased significantly since its accreditation as a GEF agency, there is still room for improvement and the team involved should continue to be trained on the issue in the coming years.

V. IFC PERFORMANCE STANDARDS

18. After applying its Safeguards policy (version 1 and 2 of this policy) for the first time, Funbio understood that following an established and widely recognized standard would be better than maintaining and revising its own standards. Following an analysis of the existing standards and following the elaboration of the new safeguards standards of the World Bank, Funbio understood that following IFC Performance Standards would be the best solution

since it is already established, has documentation in Portuguese and is internationally recognized.

19. The advantages of adopting an existing structure include:
 - a. a wide range of consultants familiar with the tools and methodology;
 - b. extensive documentation, including in Portuguese;
 - c. standardization.
20. IFC Performance Standards, however, are a world standard and in the different countries there may be small differences in the approach because of the legal and institutional frameworks of each country.
21. Thus, this policy describes how Funbio understands and uses safeguards in line with the IFC Performance Standards (2012 version). However, the application of these Standards may go beyond the IFC minimum standard when:
 - a. Brazilian legislation is stricter than IFC;
 - b. when the GEF or other funds for which this policy applies are stricter than the IFC;
 - c. when the Funbio Advisory Board considers it appropriate.

VI. PROJECT PREPARATION AND STEPS FOR IMPLEMENTING SOCIAL AND ENVIRONMENTAL SAFEGUARDS: THE INITIAL SOCIAL AND ENVIRONMENTAL ASSESSMENT

22. Funbio's technical team, responsible for project Analysis, should carry out an Initial Environmental and Social Assessment as soon as possible as a first internal review to verify the reasonably foreseeable effects of the actions proposed for the environment and for the local populations. The Initial Environmental and Social Assessment is not the application of PS1 and serves as a document to support the institutional assessment of a potential project.
23. The role of the Initial Environmental and Social Assessment is to provide a brief report as the basis for classifying the actions proposed for the project according to the three safeguard categories: 1) **No Impact** (predetermined action classes without impacts); 2) **Low Impact** (classes of actions without significant impacts, there should be appropriate mitigation measures); 3) **Significant impact** (significant social or environmental impact requiring Environmental Analysis and redesign of the project).

24. This classification is used to facilitate decision-making and for Funbio to begin to have a track record of its actions, it also serves to communicate with stakeholders and to manage their own knowledge.
25. The Initial Environmental and Social Assessment is the responsibility of the Funbio safeguards focal point, which may request support from the focal points of each Performance Standard as to whether a proposed project action could significantly affect the environment or society. In some cases, the Initial Environmental and Social Assessment is sufficient to document and align Funbio's environmental and social considerations with the Minimum Standards, without the need for a more detailed Environmental Analysis.
26. The **No Impact** category is considered for actions that do not have social impact or in the natural environment, research activities, even if they may have a minimal impact (e.g. collection of specimens), they are considered as having no impact. Typical examples of actions considered to be No Impact are:
- Educational and technical assistance or training programs;
 - Controlled experiments confined to small areas and monitored carefully;
 - Analyzes, studies, academic or research workshops and meetings;
 - Transfer of documentation and information;
 - Institutional development grants;
 - Programs involving nutrition and health care.
27. The **Low Impact** category indicates that the proposed actions should have a small adverse impact on the environment which may be completely eliminated, mitigated or compensated, preferably in that order. This category allows projects to have virtually no adverse impact if it is designed with good practice. The project must have written plans that specify technical, economic and social alternatives to minimize, mitigate, compensate and monitor the possible negative impacts of project implementation. Preferably, these mitigation and compensation actions should be well integrated into the project and not just in an annex. Typical examples of actions considered Low Impact are:
- Creation of Protected Areas for Sustainable Use (requested by communities);
 - Creation of Indigenous Lands (requested by Indigenous Peoples);
 - Creation of Protected Areas of Integral Protection with resettlement plans or in areas with no populations residing or using the natural resources;

- Support for the consolidation of Protected Areas and Indigenous Lands;
- Support for the construction of small-scale ecotourism and distributed energy infrastructure (solar and wind);
- Support for agroecology, agroforestry systems and organic food production;
- Projects to support endangered species;
- Support for collection and storage of heirloom seeds;
- Support for the production of seedlings and reforestation programs.

28. The **Significant Impact** category indicates that the proposed actions should have a significant adverse impact on the environment or local society. Although there is no legal impediment for the implementation of such a project, Funbio has never financed a project of this nature and, according to its by-laws, will never do so. In this way, the possibility of a significant impact project is more theoretical than factual. However, it is important to have this category so that Funbio can refuse a project that is proposed in this manner. Projects with Significant Impact should undergo a Social and Environmental Impact Assessment, often involving additional data collection and analysis, public participation and consultation with appropriate government agencies to ensure compliance with Brazilian legislation. Upon completion of the Environmental Assessment by qualified external consultants, a determination is prepared by the environmental and social safeguards focal points, indicating whether sufficient financial and technical resources are available to minimize, mitigate, offset and monitor potential negative impacts or whether project should be redesigned. Typical examples of actions considered of Significant Impact are:

- Support for the construction of medium and large-scale transportation and energy infrastructure (never made by Funbio and outside its statutory mandate)
- Support for traditional agriculture (never granted by Funbio and outside its statutory mandate)
- Support for industrial plants of medium or large scale (never granted by Funbio and outside its statutory mandate)

VII. PERFORMANCE STANDARDS FOR SOCIAL AND ENVIRONMENTAL SAFEGUARDS

29. For projects without impact it is not mandatory to apply the Performance Standards, but even in these cases it is advisable that Performance Standard 1 be applied. For all projects

where Funbio is the GEF implementing agency³, regardless of the risk category, the Performance Standards will be used.

30. When adopting the IFC Performance Standards as the basic structure of Funbio's safeguards, most of the description of each of the Performance Standards and their uses are described in the IFC's own documents, which can be found in Portuguese at: https://www.ifc.org/wps/wcm/connect/dfa5bc804d0829b899f3ddf81ee631cc/PS_Portuguese_2012_Full-Document.pdf?MOD=AJPERES⁴. Therefore, the section below gives only a summarized description, the objectives and some specific points about Funbio's use of each of the IFC Performance Standards.

VII.1 PERFORMANCE STANDARD 1: SOCIO-ENVIRONMENTAL RISK AND IMPACT ASSESSMENT AND MANAGEMENT

31. Performance Standard 1 establishes that a socio-environmental assessment process should be carried out and that an Environmental and Social Management System (SGAS) be created and maintained in accordance with the nature and dimensions of the project and the level of its social and environmental risks and impacts. The SGAS will incorporate the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competence; (v) emergency preparedness and response; (vi) engagement of stakeholders; and (vii) monitoring and analysis.

32. The Environmental and Social Management System (SGAS) for each project and has the following objectives:

- Identify and evaluate the socio-environmental risks and impacts of the project.
- Adopt a mitigation hierarchy to predict and avoid or, where it cannot be avoided, minimize and, where residual impacts remain, offset/neutralize the risks and impacts to workers, Affected Communities and the environment.

³ Funbio is currently in the process of accreditation by the Green Climate Fund (GCF) and this policy will also be mandatory in case Funbio is accredited, at which point it should update this policy to reflect this obligation clearly throughout the document, as in the case of the GEF.

⁴ In addition to the document describing Performance Standards, IFC provides Guidance Notes for use in the document (https://www.ifc.org/wps/wcm/connect/6b665c004ea2f3b4aee2ee1dc0e8434d/GN_Portuguese_2012_Full-Document.pdf?MOD=AJPERES). Finally, there is also a webinar on the use of this structure of safeguards, but only in English and Spanish.

- Promote better socio-environmental performance of projects through the effective use of management systems.
- Ensure that Affected Communities' complaints and external communications from other stakeholders are adequately addressed and managed.
- Promote and provide appropriate means of engagement with Affected Communities throughout the project lifecycle with respect to issues that would potentially affect them and ensure that relevant socio-environmental information is disseminated.

VII.2 PERFORMANCE STANDARD 2: WORK AND LABOR CONDITIONS

33. Performance Standard 2 recognizes that workers must have protections in relation to their work environment and aims to:

- Promote fair treatment, non-discrimination and equal opportunities for workers.
- Establish, maintain and improve relations between the worker and the employer.
- Promote compliance with national labor and employment legislation.
- Protect workers, including categories of vulnerable workers, such as children, migrant workers, outsourced workers, and workers in the customer's supply chain.
- Promote safe and healthy working conditions and protect workers' health.
- Stop and report⁵ the use of forced labor.

34. In Funbio's opinion, this standard is always partially active when it comes to forced labor, child labor (practices prohibited by Brazilian law) and the health and safety conditions of workers. The protection against discrimination of all kinds is always active, since Funbio's Code of Ethics is always active and prohibits any practice in this regard.

35. The full application of this Performance Standard depends on the project analysis described in Performance Standard 1 and will depend on the characteristics of the project (e.g. the project may or may not have outsourced collaborators).

VII.3 PERFORMANCE STANDARD 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION

36. This Performance Standard ensures that the most resource efficient and least polluting alternatives shall be pursued by the projects. Its objectives are:

⁵ In this objective Funbio has a stricter understanding than IFC, which aims to "avoid" the use of forced labor, this understanding led to use a more restricted language for our use of Performance Standards.

- Avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution resulting from project activities.
- Promote the more sustainable use of resources, including energy and water.
- Reduce GHG emissions related to the project.

37. In the case of many projects financed by Funbio, the project's goal is to use more sustainable and less pesticide-consuming practices, having a direct positive effect on the health of rural workers and biodiversity. Even so, in carrying out the assessment under Performance Standard 1 it is important to evaluate activities in relation to resource efficiency and pollution prevention, including waste management.

38. The application of this Performance Standard depends on the analysis of the project described in Performance Standard 1 and will depend on the characteristics of the project (e.g. the project may or may not have outsourced collaborators).

VII.4 PERFORMANCE STANDARD 4: COMMUNITY HEALTH AND SAFETY

39. This Performance Standard addresses the project's responsibility to avoid or minimize risks and impacts on community health and safety that may arise from related activities, with special attention to vulnerable groups. Its objectives are:

- Predict and avoid adverse impacts on the Affected Community's health and safety during the life cycle of the project arising from routine or non-routine circumstances.
- Ensure that the protection of employees and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes the risks to Affected Communities.

40. The application of this Performance Standard depends on the analysis of the project described in Performance Standard 1 and will depend on the characteristics of the project (e.g. the project may or may not have outsourced collaborators).

VII.5 PERFORMANCE STANDARD 5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

41. Performance Standard 5 on involuntary resettlement refers to both physical displacement (relocation or displacement) and economic displacement (loss of property or access to property resulting in loss of sources of income or other means of subsistence) resulting from the acquisition of land related to a project and/or restrictions on the use of these lands. The objectives of this Performance Standard are:

- Avoid, and when not possible, minimize displacement by exploring alternative project approaches.
 - Avoid forced eviction.
 - Predict and avoid or, when it is not possible, minimize adverse environmental and social impacts arising from the acquisition of land or restrictions on their use (i) by indemnification for loss of property at the replacement cost and (ii) ensure that resettlement activities are carried out after appropriate dissemination of information, consultation and informed participation of affected parties.
 - Improve or recover the livelihoods and standards of living of displaced persons.
 - Improving the living conditions of physically displaced persons by providing housing
42. In the case of projects financed by Funbio, the main issue is related to resettlement due to support for the creation of protected areas of integral protection that can generate resettlement actions of communities that are within (or use resources) of the protected limits. However, the government has avoided this practice over the recent years and, according to this Performance Standard, this should continue to be pursued. However, should this issue arise again, it is extremely important to have plans on how this process will be conducted in consultation with potential resettled population.
43. The application of this Performance Standard depends on the analysis of the project described in Performance Standard 1 and will depend on the project characteristics (e.g. the project may only create protected areas that are required by the communities themselves and not result in resettlement such as Extractive Reserves).

VII.6 PERFORMANCE STANDARD 6: BIODIVERSITY STANDARD AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

44. Performance Standard 6 is related to the potential negative impacts of projects on biodiversity and natural resources, using the concepts defined in the Convention on Biological Diversity (CBD). The objectives of this Performance Standard are:
- Protect and conserve biodiversity.
 - Maintain the benefits of ecosystem services.
 - Promote the sustainable management of living natural resources by adopting practices that integrate both conservation needs and development priorities.
45. In the case of projects funded by Funbio, all include goals set by the Convention on Biological Diversity (CBD), even those with strong components of climate change, and are

always associated with the maintenance of forests, of landscapes with native species or adaptation to climate change based on natural solutions. Still, projects must be analyzed to ensure that there are no negative impacts on supported projects and the management system must be aware of risks that were not imagined at the time of project design.

46. The application of this Performance Standard depends on the analysis of the project described in Performance Standard 1 and will depend on the characteristics of the project.

VII.7 PERFORMANCE STANDARD 7: INDIGENOUS PEOPLE

47. Funbio's policies and practices recognize the importance of Indigenous Peoples for social and cultural development as well as for environmental sustainability of Brazilian society as a whole. Performance Standard 7 defines how projects should deal with indigenous peoples to ensure their participation, in a qualified manner, in discussions of projects that have some impact on their territories and their culture. The objectives of this Performance Standard are:

- Ensure that the development process promotes full respect for human rights, dignity, aspirations, culture and livelihoods based on the natural resources of Indigenous Peoples.
- Predict and avoid adverse impacts resulting from projects on communities of Indigenous Peoples or, when inevitable, minimize them and/or indemnify Indigenous Peoples for such impacts.
- Promote the benefits and opportunities of sustainable development for Indigenous Peoples in a culturally appropriate way.
- Establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with Indigenous Peoples affected by a project throughout its life cycle.
- Ensure Free, Prior and Informed Consent (FPIC) of Indigenous Communities Affected in the presence of the circumstances described in this Performance Standard.
- Respect and preserve the culture, knowledge and practices of Indigenous Peoples.

48. The application of this Performance Standard depends on the analysis of the project described in Performance Standard 1 and will depend on the characteristics of the project.

VII.8 PERFORMANCE STANDARD 8: CULTURAL HERITAGE

49. Funbio's policies ensure the preservation of physical cultural resources, avoiding their destruction or damage, including archaeological, paleontological, historical, architectural and sacred sites, in full compliance with Brazilian standards of historical preservation. Performance Standard 8 defines how this risk should be handled and managed, its objectives are:
- Protect cultural heritage from the adverse impacts of project activities and support its preservation
 - Promote the equitable distribution of benefits arising from the use of cultural heritage.
50. In Funbio's experience, safeguards related to Cultural Heritage can be activated in the case of "random findings", that is, cultural heritage that was not known (e.g. archaeological sites) at the moment of designing the project. In this way, it is important that projects that create protected areas (even those of sustainable use demanded by the communities) are prepared in case of these findings and what path, what protocol of action, must be taken in order for this patrimony to be protected.
51. The application of this Performance Standard depends on the analysis of the project described in Performance Standard 1 and will depend on the characteristics of the project.

VIII. COMPLAINT, CONTROL AND ACCOUNTABILITY SYSTEM

52. The Complaints, Control and Accountability System addresses possible violations of Funbio's policies and procedures, including these safeguards, is transparent and effective, and is accessible to people affected by the project.
53. This complaints system complements the complaint system to the Ethics Committee (described in the Funbio Code of Ethics) but differs from this other one because the matter may not necessarily be ethical, it may be a random finding that needs to be informed.
54. Complaint systems should be widely disseminated in project documents, the Funbio website, and in local meetings with project stakeholders.
55. In addition to the complaint system, Funbio must keep a record of all the complaints received and the actions that followed so that they could be evaluated and answered. Specifically, in the case of safeguards, information on the complaints received and

Funbio's responses should be publicly-available. In addition, as in the case of the Ethics Committee, the annual report should contain a section reporting whether complaints have been received regarding safeguards and whether they have been resolved⁶.

56. These definitions and details on the operation of the complaints system are the subject of P-17 - Funbio Complaints Policy⁷.

⁶ In the case of the Ethics Committee, since the 2018 report there is a section in the annual report with information on that year's activity. In the case of safeguards this will only be possible as of 2019, since this responsibility has been defined only now in version 3 of this policy.