

Document: EB 2017/121/R.34
Agenda: 14
Date: 23 August 2017
Distribution: Public
Original: English

E



Investing in rural people

IFAD's updated Social, Environmental and Climate Assessment Procedures

Managing risks to create opportunities

Note to Executive Board representatives

Focal points:

Technical questions:

Margarita Astralaga
Director
Environment and Climate Division
Tel.: +39 06 5459 2151
e-mail: m.astralaga@ifad.org

Sheila Mwanundu
Quality Enhancement & SECAP Coordinator
Tel.: +39 06 5459 2031
e-mail: s.mwanundu@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies
Tel.: +39 06 5459 2974
e-mail: gb@ifad.org

Executive Board — 121st Session
Rome, 13-14 September 2017

For: Information

Contents

A.	IFAD's commitment to advancing sustainable development	1
B.	Why update SECAP?	1
C.	What are the main procedural changes?	2
D.	Mandatory elements of SECAP	3
E.	SECAP elements applicable depending on each specific case	3
F.	IFAD benefits and risks in implementation of this edition	4

Annexes

- I. Lessons learned from SECAP implementation between January 2015 and March 2017
- II. Entry points and the seven steps of the SECAP assessment in the project cycle

Abbreviations and acronyms

CPMT	country programme management team
CSN	country strategy note
ESIA	environmental and social impact assessment
ESMP	environmental and social management plan
FPIC	free, prior and informed consent
GS	guidance statement
IP	indigenous plan
PDR	project design report
QA	quality assurance
RAF	resettlement action framework
RAP	resettlement action plan
RB-COSOP	result based country strategic opportunities programme
SECAP	Social, Environmental and Climate Assessment Procedures

IFAD's updated Social, Environmental and Climate Assessment Procedures

Managing risks to create opportunities

A. IFAD's commitment to advancing sustainable development

1. IFAD remains committed to mainstreaming social, environmental, and climate change solutions. IFAD's first Social, Environmental and Climate Assessment Procedures (SECAP) were approved by the Executive Board in December 2014 and became effective on 1 January 2015.¹ These procedures refined IFAD's guiding values and principles, and defined an improved course of action for assessing social, environmental and climate risks to enhance the sustainability of results-based country strategic opportunities programmes (RB-COSOPs), country strategy notes (CSNs), programmes and projects. This update to the SECAP (hereafter referred to as "edition"), along with the guidance statements (GS), sets out the mandatory requirements and other elements that must be integrated throughout the project life cycle. They apply to all investment projects and supersede the previous version.

B. Why update SECAP?

2. This edition describes how to better mainstream environmental, social and climate change considerations into the project cycle, and demonstrates IFAD's commitment to go beyond "doing no harm" to maximizing development gains. It also takes into consideration the Sustainable Development Goals (SDG) and other international relevant agreements.² It seeks to ensure that IFAD's policies and strategies, and its investments are designed to "leave no one behind" since sustainable development must be achieved for all – especially the poorest and most vulnerable to climate change.
3. This edition: (i) draws on lessons learned in SECAP's implementation from 2015 to the present (annex I); (ii) clarifies the mandatory and non-mandatory requirements applicable to IFAD-supported investments; (iii) further aligns IFAD's environmental and social standards and practices with those of other multilateral financial institutions; (iv) reflects IFAD's complementary policies³ and climate mainstreaming agenda;⁴ (v) enables IFAD's continued access to international environment and climate financing; and (vi) better aligns IFAD's programming with the General Conditions for Agricultural Development Financing.⁵ This edition focuses on identifying and managing social, environmental and climate risks while maximizing opportunities. It will support borrowers in their efforts to reduce poverty, generate sustainable environmental and social benefits, build national capacity, fulfil their SDG commitments and advance individual countries' nationally determined contributions under the Paris Agreement.
4. SECAP's primary audience is programme staff and project teams, who are responsible for developing, implementing and supervising IFAD-supported projects, followed by government entities executing IFAD's investments.
5. This edition sets out an enhanced minimum risk-assessment process that recognizes the heterogeneity of responses, given widely different country and community circumstances. Through better risk identification, they aim to avoid environmental and social harm while creating space for doing good. The procedures are not an

¹ www.ifad.org/topic/gef/secap/overview/tags/mlgef.

² The 2030 Agenda for Sustainable Development and its Sustainable Development Goals, the Paris Agreement, the Sendai Framework for Disaster Risk Reduction and the Addis Ababa Action Agenda on financing sustainable development.

³ Including but not restricted to IFAD's policy on targeting (2008), gender equality and women's empowerment (2012) and engagement with indigenous peoples (2009). Available at: www.ifad.org/what/policy_dialogue.

⁴ See paragraph 38 of the IFAD10 programme of work:

<https://webapps.ifad.org/members/repl/10/2/docs/IFAD10-2-R-4.pdf>.

⁵ See section 7.01(a)(vi): www.ifad.org/documents/10180/e72d1b36-58ed-4630-b683-7b22f4075e73.

articulation of – nor do they represent the entirety of – IFAD’s ambitious social, environmental and climate mainstreaming efforts. The Fund’s wider efforts on these cross-cutting themes are set out in its Strategic Framework 2016-2025 and other IFAD policy documents.

6. This edition is the product of a broad consultation process involving IFAD staff, project staff and selected resource persons from multilateral and bilateral development agencies.

C. What are the main procedural changes?

7. The key changes introduced in this edition are presented (in bold) in table 1.

Table 1

Key measures and updates in the SECAP

<i>Key measures</i>	<i>Key updates</i>
Enhanced systematic integration of social, environmental and climate change considerations	<ul style="list-style-type: none"> Detailed and clear description of the steps, and entry points in the project cycle to improve the quality and impact of IFAD-funded programmes and projects. Roles and responsibilities at each step of the SECAP process clarified. Tools and methods to assess and document environmental, social and climate-change risks. Screening for climate risks in projects at early stage of design. Focus on adaptation/mitigation opportunities for climate-resilient investments. Requirements for additional financing. Emphasis on social assessment, including community health, safety and labour issues.
Re-emphasis of commitment to principles of transparency and accountability, and support for resolution of complaints for alleged non-compliance with IFAD social and environmental policies and standards	<ul style="list-style-type: none"> Disclosure of draft environmental and social impact assessments (ESIA), draft resettlement plans, draft mitigation plans and frameworks^a, documentation of indigenous peoples’ consultation processes and other documents at the quality assurance (QA) stage (or other key stages in project implementation). IFAD Complaints Procedure to respond to alleged non-compliance with its social and environmental policies and mandatory aspects of SECAP. Emphasizes engagement with communities and stakeholders likely to be affected by IFAD-funded operations. Requires borrower to provide a grievance mechanism proportioned to risks and impact. Requires environmental and social audits for selected projects.
Emphasis on precautionary approach to resettlement, health, physical and cultural resources, chance finds ^b , safety of small dams and sub-projects	<ul style="list-style-type: none"> Greater clarity on physical and economic resettlement and revised screening guidance. Screening guidance for physical and cultural resources. Revised guidance statements on: livestock and range resources (GS 6); water (GS 7); small dams (GS 8); rural roads (GS 10); development of value chain, microenterprises and small enterprises (GS 11); rural finance (GS 12); and physical and economic resettlement (GS 13). New GS 14 on community health: provide specific requirements for assessing health impact and safety issues.
Strengthening of social, environmental and climate risk classification of projects and the steps needed	<ul style="list-style-type: none"> Indicative list under each category revised. A climate risk classification of “high”, “moderate” or “low” in projects. Greater clarity on determining risks. Basic climate risk analysis mandatory for all projects with “moderate” classification. Environmental and social management frameworks developed for specific projects where information on location and impacts is insufficient. The SECAP review notes for category B projects must include a matrix on the environmental and social management plan.
Strengthening of social, environmental and climate issues in RB-COSOPs/CSNs and projects	<ul style="list-style-type: none"> Use of preparatory studies for COSOP programmes, when necessary. Abridged SECAP preparatory study for CSN. New SECAP tracker as repository for key information and monitoring. Grant and Investment Projects System (GRIPS) and Operational Results Management System (ORMS) revised to reflect project cycle entry points and compliance monitoring and reporting respectively.

^a Where frameworks (environmental and social management framework/resettlement action framework [RAF]) were disclosed at the quality-assurance stage.

^b In the event that cultural heritage is subsequently discovered, either during construction or operations.

D. Mandatory elements of SECAP

8. All projects entering the pipeline are subject to an environmental, social and climate risk screening, and are assigned a risk category for environment and social standards (A, B, C), and for climate vulnerability (high, moderate, low).⁶ These findings, along with subsequent analysis and assessments, must be reflected in the project's SECAP review note. Projects with environment and social category "C" and climate risk "low" do not require any further analysis.
9. Mandatory elements of SECAP are elaborated below:
 - All category B projects must have a SECAP review note including a matrix of the environment and social management plan (ESMP) at design stage. The identified social and environmental risks, and opportunities-management measures must be reflected in the project design and the project design report (PDR). The ESMP matrix must be integrated into the project's implementation manual or developed as a stand-alone guidance document for the project management unit late in the design stage or early in implementation.
 - All category A projects must have an ESIA at the design stage (or relevant stage of implementation). The draft and final ESIA reports, and other relevant documents⁷ must be disclosed in a timely and accessible manner at the quality assurance stage (or other stages during project implementation).⁸
 - For all projects with a "moderate" climate risk classification, a basic climate risk analysis must be conducted during the project design stage and included in the SECAP review note. Adaptation and mitigation measures must be mainstreamed into the project design and PDR.
 - For all projects with "high" climate risk classification, an in-depth climate risk analysis must be conducted during project design and adaptation and risk-mitigation measures must be mainstreamed into the project design and PDR.

E. SECAP elements applicable depending on each specific case

10. Depending on the scale and nature of the potential risks and impacts, different assessment tools and elements will apply irrespective of the environment and social category.
 - Where necessary a SECAP preparatory study can be undertaken during the development of RB-COSOPs or CSNs.
 - When projects result in physical or economic displacement (affecting access and user rights to land and other resources), the borrower or grant recipient should obtain FPIC from the affected people, document stakeholder engagement and consultation process and prepare resettlement plans or frameworks. The documents must be disclosed in a timely and accessible manner at the QA or relevant implementation stage.
 - When impacting indigenous peoples, the borrower or the grant recipient must seek FPIC from the concerned communities, document stakeholder engagement and consultation processes and prepare an IP.⁹ Whenever FPIC is not possible during project design, the FPIC implementation plan should specify how FPIC will be sought during early implementation. The FPIC plan and

⁶ Since implementation of SECAP began in 2015, 95 per cent and 89 per cent respectively of IFAD's projects have been classified as environment and social category B, and climate risk classification "moderate".

⁷ Including environment and social management frameworks (ESMFs), draft resettlement action plans (RAPs) and RAFs, draft mitigation plans and documentation of free, prior and informed consent (FPIC) and indigenous plan (IP) consultation processes.

⁸ When frameworks (such as ESMFs and RAFs), and FPIC implementation plans are disclosed at the QA stage.

⁹ When an IP is necessary, it must include the socio-cultural and land tenure assessment, the specific strategy for working with indigenous peoples and the FPIC agreement.

related documents must be disclosed in a timely and accessible manner at the QA or relevant stage during implementation.

- Consultation with communities and stakeholders must be maintained throughout the project lifecycle, especially in high-risk projects.
- When community health is significantly affected, a health-impact assessment must be conducted and mitigation measures included in the project design.
- When there is a significant increase in the use of agrochemicals, a pesticide management or mitigation plan is required.
- For all category A projects and some category B projects, a project-level grievance redress mechanism must be established or existing formal and informal systems strengthened.
- Some category B activities may require specific analysis to be undertaken or an ESMF to be developed.
- Relevant environmental and social clauses or covenants must be included in the financing agreements for projects requiring ESIA, technical studies, FPICs, ESMPs and frameworks during project implementation.
- For some category A projects, an ex-post ESIA may be required at the completion stage.

11. The procedures have many entry points in IFAD's project cycle and are fully integrated into IFAD's quality enhancement and QA processes (see annex II, figure 2). The procedures have been designed to enable country programme management teams (CPMTs), governments and beneficiaries to fulfil the shared environmental, social and climate objectives.

F. IFAD benefits and risks in implementation of this edition

12. Benefits:

- Improve internal programming systems and portfolio management through a more comprehensive and systematic approach to identify and manage environmental, social and climate-related opportunities and risks.
- Align standards with the safeguard procedures of other multilateral institutions (e.g. the World Bank's Environmental and Social Framework¹⁰ and the Green Climate Fund).
- Enable continued access to global environment and climate funds (e.g. the Global Environment Facility and the Green Climate Fund).
- Increase institutional transparency and learning on mainstreaming good practices.

13. Risks (and suggested solutions):

- A lack of capacity to effectively implement the requirements of this edition. Capacity will be strengthened by:
 - Collaboration and exchange between technical specialists in IFAD's Policy and Technical Advisory Division, Environment and Climate Division, and the regional divisions, and project teams;
 - Strong management support including adequate allocation of technical, financial and knowledge resources to facilitate implementation of SECAP throughout the project cycle;
 - Strengthening IFAD and project staff technical capacity for SECAP implementation through the newly established IFAD Operations Academy,

¹⁰ <http://documents.worldbank.org/curated/en/383011492423734099/pdf/114278-REVISED-Environmental-and-Social-Framework-Web.pdf>.

- including SECAP e-learning and tailored face-to-face training in skills and tools for SECAP application; and
- Continued monitoring of SECAP implementation through improved IFAD processes and information technology systems (using GRIPS, ORMS and the disclosure workflow) for tracking progress along the project cycle.
 - Challenges in addressing specific social issues may pose a challenge to IFAD. Although not common, some IFAD-supported activities may trigger community health and labour issues. These will be addressed through:
 - GS 14: “Community Health”, which clarifies the process and necessary measures to avoid or minimize adverse impacts on people, their safety and the environment;
 - Support of IFAD-financed activities to the International Labour Organization core labour standards and principles expressed in the United Nations Universal Declaration of Human Rights; and
 - An emphasis on application of the World Bank Group Environmental, Health and Safety Guidelines in projects.
14. This edition will require some modest changes to existing IFAD procedures and practices. The content of this edition and the guidance statements are “live” documents that will undergo continuous improvement¹¹ as knowledge and experience evolve, and as IFAD policies and priorities change.

¹¹ This will be carried out in coordination with the Programme Management Department’s project implementation units and development partners, including multilateral financial institutions and recipient countries.

Lessons learned from SECAP implementation between January 2015 and March 2017

The lessons below were drawn from analysing the: (i) results of two 2015/2016 staff surveys on SECAP; (ii) CPMT process; (iii) eight SECAP learning events; and (iv) challenges and opportunities to address SECAP compliance in the design and implementation of RB-COSOPs and projects. The lessons have been grouped into clusters that mirror the IFAD project cycle and may involve some overlap.

1. The application of SECAP has contributed to a more comprehensive and systematic approach to identifying and managing environmental, social and climate risks, and their impacts. Alignment with SECAP requirements emphasizes the value of adhering to IFAD's policies, strategies and priorities.¹²
2. A comprehensive SECAP preparatory study is useful for mainstreaming environmental and climate concerns into RB-COSOPs. It orients the entire country programme to address the underlying environmental and climate issues that affect the agriculture and rural development sector.
3. An abridged SECAP preparatory study provides useful information to enhance the mainstreaming of environmental, social and climate issues in the design of CSNs. The findings of the study help to define the strategic objectives and specify the thematic focus of the country programme.
4. A robust SECAP process requires attention to social dimensions such as land tenure, community health, safety, labour, vulnerable and disadvantaged groups, and historical factors, particularly in relation to natural resource management. It not only looks at compliance (e.g. managing potential negative impacts), but expected positive impacts and ways to maximize opportunities. The new guidance screening questions for categorization and classification should be an integral part of concept note development and should be revisited during each stage of the design cycle.
5. Preparation of SECAP review notes in advance of project design missions provides design teams with an assessment of the risks and opportunities presented by changing ecological and climatic conditions. This allows design teams to anchor project design within site-specific biophysical and climate conditions and – with the support of environment and climate experts – enables these teams to articulate a targeted set of project interventions.
6. Early inclusion of technical expertise (with an appropriate balance between social, environmental and climate-risk) in CPMTs and supervision missions can provide valuable insights that improve the quality of project design, supervision and implementation support. It is important to identify, manage and address all risks irrespective of the project's environmental or social category, and climate risk classification based on the risk-mitigation hierarchy.
7. Each PDR needs to incorporate the main findings of the SECAP review note in the main text. Rather than providing recommendations, a SECAP review note should list agreed-upon mitigation measures and monitoring approaches, which need to be fully integrated into the component description and financing details. Linkages between the SECAP review note and other appendices in the PDR, such as those on targeting and social inclusion, need to be strengthened in order to highlight all social considerations.
8. ESMPs, prepared prior to project implementation, should include detailed information on mitigation measures, responsibilities, institutional capacity, monitoring and timelines, along with adequate budgets. This information allows

¹² Applicable IFAD policies, strategies and procedures include the: Policy on Improving Access to Land and Tenure Security, Policy on Engagement with Indigenous Peoples, Environment and Natural Resource Management Policy, Policy on the Disclosure of Documents, Climate Change Strategy and Complaints Procedures.

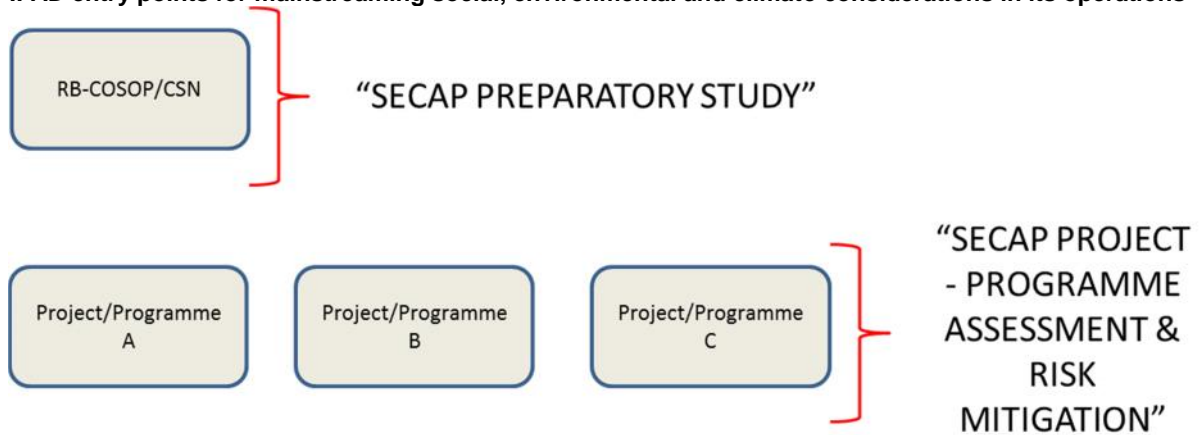
ESMPs to be “living documents” that can adapt to new circumstances. Monitoring the implementation of ESMPs as part of the supervision missions ensures the achievement of intended results and outcomes through coding and tracking of recommended and budgeted activities and actions, and incorporating them into the annual budgeting process.

9. In-depth studies (e.g. ESIAAs, ESMFs, RAFs and climate risk assessments) for category A projects and “high” projects, and specific category B projects require time and sufficient budgets. Selection of consultants with “safeguard” expertise and knowledge of the country or region can contribute to generating knowledge. More efforts are required to identify specialists with expertise on specific dimensions of social issues such as community health, safety, resettlement and cultural resources.
10. Meaningful consultations with stakeholders improve the quality of impact assessments and strengthen community buy-in to ensure sustainability. Such engagement also reduces the risk of reputational damage. However, special attention should be given to avoiding raising expectations and providing an enabling environment for unbiased feedback. Facilitated feedback sessions and the development of adapted materials with key findings presented in local languages may be necessary.
11. Design teams may be inclined to avoid an “A” categorization, which could exclude certain development opportunities. To ensure that project design teams have the required tools to manage potential risks, additional resources must be made available.
12. Experience with ensuring that rural financial services have the capacity to develop effective ESMPs (appropriate to the nature and scale of the portfolio) is still limited. Further guidance is needed for rural financial services to apply environmental and social risk management to sub-projects in order to meet SECAP requirements.

Entry points and the seven steps of the SECAP assessment in the project cycle

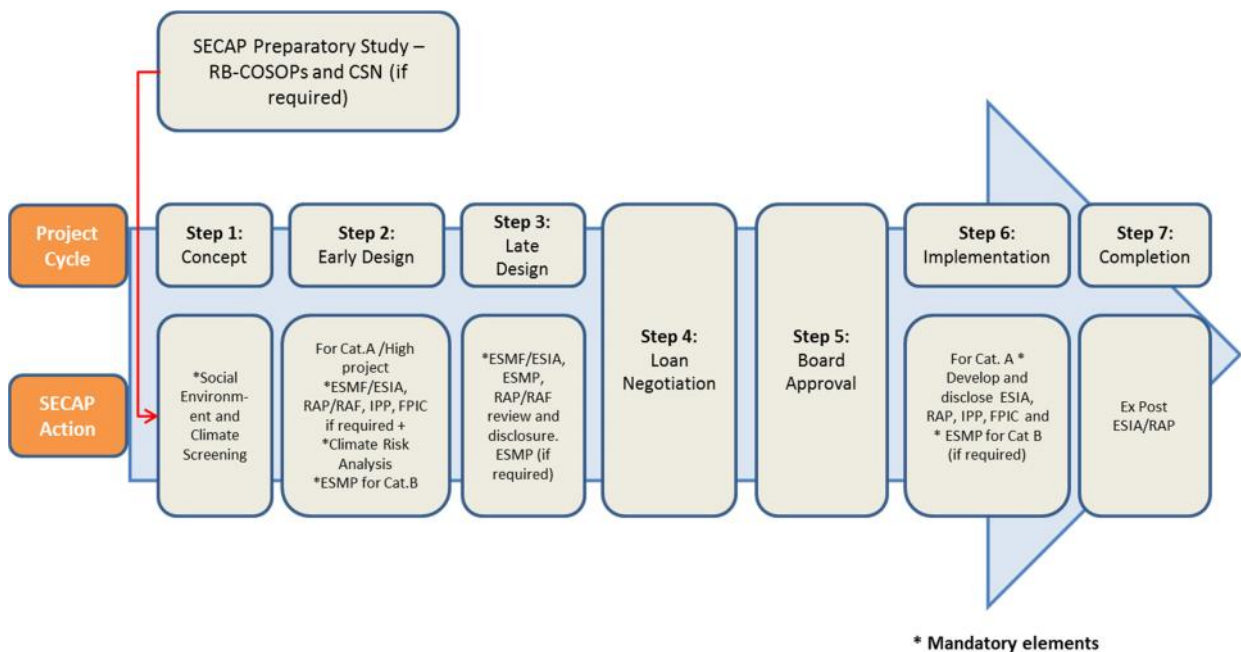
These updated procedures set minimum standards for the assessment of social, environmental and climate-change risks in IFAD programmes and projects. They are illustrated in figure 1.

Figure 1
IFAD entry points for mainstreaming social, environmental and climate considerations in its operations



SECAP integration into IFAD’s project cycle is presented schematically in figure 2.

Figure 2
The seven steps of the SECAP assessment in the project cycle



* These are mandatory elements of SECAP. In addition, FPIC should be obtained by the borrower/grant recipient for interventions that might affect land access and the use rights of communities.