



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

IKI



INTERNATIONAL
CLIMATE
INITIATIVE

Safeguards Policy of the BMU International Climate Initiative

Draft for public consultation

26th November 2021



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Glossary

Term	Explanation
BMU	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety of the Federal Republic of Germany
Implementing organisations	The term comprises all grantees and contracting parties. These include service providers active in international cooperation for the German government (e.g. GIZ), federal banks (e.g. KfW), multilateral organisations (e.g. UNEP, UNDP) and national and international NGOs.
Funds	Funds are monies provided by the public administration from the federal or Länder budgets for the purpose of achieving specific political goals
Funding programmes	Funding programmes are the binding rules developed by the public administration to lay down the funding objective, funding requirements and funding conditions for the award of public funds. IKI is a funding programme.
Financial intermediaries	Financial intermediaries are actors that receive funds and forward them to third party actors. They can be: a) implementing organisations which establish a fund or other financial instrument through which it forwards funds to a particular project (e.g. KfW) b) banks, private equity funds, venture capital funds, micro-finance institutions or multilateral organisations which administer a multi-donor trust fund or other financial instrument in receipt of funds.
GCF	Green Climate Fund
IFC Performance Standards	Performance standards are environmental and social standards which investments abroad must comply with in order to prevent adverse impacts on people and the environment. IKI has committed to complying with the Performance Standards of the International Finance Corporation (IFC), as these are currently being used by the GCF.
IKI	See International Climate Initiative
IKI safeguards	The IKI safeguards define environmental and social standards which IKI has pledged to uphold and which implementing organisations must comply with.
International Climate Initiative	The International Climate Initiative is a funding programme of the BMU to promote climate action and biodiversity projects in developing and emerging countries.

Project cycle	The different stages of a project, from outline submission to project completion
Safeguards risk	Risk of non-compliance with safeguards standards due to unintended adverse impacts to the environment and people arising from project activities.
Safeguards risk analysis	Tool for analysing the environmental and social risks of a project. In the IKI, the safeguards risk analysis is presented in the safeguards section of the project proposal.
Safeguards measures	Measures aimed at helping to prevent, minimise or mitigate adverse impacts of project activities. In the IKI, safeguards measures are presented in the safeguards section of the project proposal.
Sub-project	The level where funds are converted into project activities and consequently where damage can occur. Sub-project thus refers to the final, locally implemented measure or activity that is financed via funds from a financial intermediary or funds forwarded to third parties.
Projects	Projects are grants for covering expenditures of the grantee for individual, specified activities (project funding), in accordance with no. 2.1 of the administrative regulation on section 23 of the Federal Budget Code (BHO). This also includes financing projects.
Project proposal	Application for a project grant. The project proposal also includes the safeguards section.
UNGP	United Nations Guiding Principles on Business and Human Rights
More comprehensive management plans	Management plans that exceed the scope of the safeguards section which may be necessary in the context of some projects. Examples are Environmental and Social Management Frameworks (ESMF), Environmental and Social Management Plans (ESMP), biodiversity action plans, consultation plans, resettlement plans, livelihood restoration plans.
More comprehensive risk analyses	Risk analyses that exceed the scope of the safeguards section. Examples are Environmental and Social Impact Assessments (ESIA) or biodiversity impact assessments.
ZUG	Zukunft-Umwelt-Gesellschaft (ZUG) gGmbH, the project management agency of the BMU.

1 Introduction

The Safeguards Policy of the International Climate Initiative (IKI) commits IKI to complying with environmental and social safeguards to ensure that IKI projects are effective, sustainable and in line with international and national standards.

The Safeguards Policy sets out how IKI takes account of environmental and social aspects in order to effectively manage associated risks and counter potential adverse impacts.

IKI is an instrument of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) for funding international climate action and biodiversity conservation. IKI operates within the architecture of the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). It finances climate action and biodiversity conservation in developing, emerging and transition countries. IKI priority areas are climate change mitigation, adaptation to climate change, biodiversity conservation and forest protection.

The project management agency Zukunft – Umwelt – Gesellschaft gGmbH (ZUG) supports the BMU in the implementation of IKI. Political responsibility for IKI lies with the BMU.

The IKI safeguards standards are in line with the Environmental and Social Safeguards Standards of the Green Climate Fund (GCF), which currently uses the [IFC Performance Standards for Environmental and Social Sustainability](#) as interim standards (see 1.4).

1.1 Embedding in international frameworks

The obligation of IKI to comply with environmental and social safeguards standards derives from the German government's commitments under international and national treaties and standards for the protection of the environment and people.

The goal of IKI is to advance implementation of the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). IKI is bound by the processes and decisions adopted under these conventions. The UNFCCC emphasises the need to coordinate responses to climate change with the economic and social development of partner countries (UNFCCC, 1992 p. 3). The Paris Agreement, adopted by the Conference of the Parties (COP) in 2015, further stresses that action to address climate change should also respect and promote human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations, and respect and promote gender equality (Paris Agreement, 2015 p. 2). In this spirit, the REDD+ Safeguards, the Local Communities and Indigenous Peoples Platform, the Lima Work Programme on Gender (LWPG) and the UNFCCC Gender Action Plan were also established under the Convention. The Convention on Biological Diversity (CBD) committed to environmental and social safeguards with the *CBD Guidelines on Voluntary Safeguards for Biodiversity Financing Mechanisms* (UNEP/CBD/COP/DEC/XII/3). It also drew up a gender action plan. IKI furthermore contributes to implementing the 2030 Agenda and its Sustainable Development Goals (SDGs).¹

IKI must also ensure compliance with international and national treaties on the protection of human rights to which the German government is a signatory. Especially important in this

¹ The following SDGs are particularly relevant to environmental and social safeguards standards: No poverty (SDG 1), Zero hunger (SDG 2), Good health and well-being (SDG 3), Gender equality (SDG 5), Clean water and sanitation (SDG 6), Decent work and economic growth (SDG 8), Reduced inequalities (SDG 10), Climate action (SDG 13), Life below water (SDG 14), Life on land (SDG 15), Peace, justice and strong institutions (SDG 16).

context are the United Nations human rights conventions² and the Core Labour Standards of the International Labour Organization (ILO).³

The UN Guiding Principles on Business and Human Rights (UNGPR) are another commitment to human rights.⁴ Under the UNGPR, states should encourage or even obligate businesses or organisations that are owned or controlled by the state or that receive substantial support from the state, to take additional steps to protect against human rights abuses along the entire supply chain and to demonstrate human rights due diligence.⁵

1.2 Goals

The Safeguards Policy aims to ensure IKI meets its commitment to comply with environmental and social standards.

The Safeguards Policy and its safeguards standards contribute to:

- a) maximising the positive environmental and social impacts of projects
- b) reducing, minimising and ideally preventing adverse impacts on people and the environment
- c) strengthening stakeholder engagement and participation, especially of marginalised, vulnerable and indigenous groups or individuals
- d) enhancing the quality and effectiveness of projects
- e) improving the quality, coherence and efficiency of the IKI funding programme by defining a range of tasks and responsibilities, clearly structuring procedures and processes, laying down rules and identifying consequences
- f) increasing transparency and accountability for IKI stakeholders and the public, and prevent reputational damage.

1.3 Guiding principles

The Safeguards Policy takes into account the challenging circumstances that some projects have to operate under and which demonstrate a particularly pressing need for both climate action and biodiversity conservation. For that reason, the presence of safeguards risks does not necessarily rule out support for a project, as long as these risks can be addressed with adequate safeguards measures.

Under the Safeguards Policy, the design and implementation of projects are geared to the following principles:

² The 10 human rights conventions of the United Nations include: the International Convention on the Elimination of all Forms of Racial Discrimination (1965), the International Covenant on Civil and Political Rights (1976), the International Covenant on Economic, Social and Cultural Rights (1967), the Convention on the Elimination of all Forms of Discrimination against Women (1981), the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (1987), the Convention on the Rights of the Child (1990), the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (2003), the International Convention on the Protection of All Persons from Enforced Disappearance (2010), the Convention on the Rights of Persons with Disabilities (2006).

³ The 8 ILO Core Labour Standards include: Freedom of Association and Protection of the Right to Organise Convention (1948), Right to Organise and Collective Bargaining Convention (1949), Forced Labour Convention (1930), Abolition of Forced Labour Convention (1957), Minimum Age Convention (1973), Worst Forms of Child Labour Convention (1999), Equal Remuneration Convention (1951), Discrimination (Employment and Occupation) Convention (1958).

⁴ UN Guiding Principles on Business and Human Rights, 2011, United Nations / United Nations Human Rights Office of the High Commission.

⁵ I. B. 4, UN Guiding Principles on Business and Human Rights, 2011, United Nations / United Nations Human Rights Office of the High Commission, p. 6f. The UNGP further recommends that states set out clear expectations that businesses and organisations respect human rights abroad (I. A. 2, 1. B. 3 (c), UNGP).

- a) social and environmental sustainability: projects aim to maximise the positive impacts on the environment and people and where possible to go beyond preventing, mitigating or reducing adverse impacts
- b) biodiversity: projects respect and conserve biodiversity, protect or restore critical habitats, maintain ecosystem services and support the sustainable use of natural resources. Where possible, activities increase biological diversity in the entire landscape and support near-natural structures
- c) basic rights: basic human rights and labour rights, the rights of vulnerable and marginalised groups, especially of indigenous communities, women, national or ethnic minorities, religious or linguistic minorities, LGBTQIA persons, children and persons with disabilities, are respected and promoted
- d) non-discrimination of marginalised or vulnerable groups: the adverse impacts of project activities, where they cannot be avoided completely, must not disproportionately affect marginalised or vulnerable groups or individuals
- e) compliance with existing law: project activities must comply with existing law, including national law and/or obligations of the country under international treaties and agreements. The highest standard applies, i.e. if the safeguards standards exceed those under national law, the former are applicable
- f) risk-based approach: the greater the environmental and social risks, the more stringent the requirements for the safeguards measures and processes of a project
- g) mitigation hierarchy: the mitigation hierarchy is applied as a fundamental principle for managing environmental and social risks. Safeguards measures are developed for the entire mitigation hierarchy – 1) *avoid/prevent* adverse impacts, 2) *minimise/reduce* adverse impacts, 3) *mitigate* adverse impacts, and 4) as an exception, *offset* adverse impacts
- g) stakeholder engagement: affected groups, individuals and other stakeholders, in particular marginalised, vulnerable and indigenous groups or individuals, are appropriately involved in the project planning and implementation from an early stage.

The design of procedures and processes of the Safeguards Policy is based on the following principles:

- h) international harmonisation: the Safeguards Policy draws on established environmental and social standards, thus contributing to the international harmonisation of standards
- i) coherence and consistency: the Safeguards Policy ensures coherence and consistency with other existing and future policies, strategies, procedures and processes, especially in the areas of accountability, gender, monitoring and evaluation
- j) efficiency and effectiveness: safeguards-related procedures and processes must be designed for maximum efficiency and effectiveness.

Further principles are:

- k) learning: the Safeguards Policy will be continuously updated in light of the experience gained in practice, in order to maintain its relevance in the context of economic, political or social change
- l) best practices: international standards and best practices also serve the further development of the policy
- m) knowledge building: capacity and knowledge building on safeguards-relevant issues are supported and promoted in all responsible organisations (BMU, ZUG, implementing organisations).

Kommentiert [YY1]: The points in c) and d) seem similar and overlapping.

Kommentiert [SG2R1]: We do see a qualitative difference and prefer to keep it separate.

Kommentiert [YY3]: This is bit passive. As a funding agency, IKI can be proactive in giving priority in supporting the lives of the most vulnerable and marginalized people.

Kommentiert [YY4]: Guiding principles of the UN Model Approach include human rights, including gender equality and women's empowerment; Leave No One Behind, Resilience and sustainability, and; accountability. I think the principle of accountability (through information disclosure and transparency, and grievance redress mechanism) is an important concept to make in this policy.

Kommentiert [SG5R4]: We do agree to the principles you mentioned. We have integrated separate paragraphs to ensure accountability but you are right that we could mention it as a principle here. We will do so in the revised version.

Kommentiert [YY6]: This point can be combined with the c) and d) above. They are overlapping.

Kommentiert [SG7R6]: This point seems to us important enough to mention it separately.

1.4 Safeguards standards

The safeguards standards define the environmental and social criteria which IKI is committed to meeting. The safeguards are in line with the Environmental and Social Safeguards Standards of the Green Climate Fund (GCF), which currently uses the *IFC Performance Standards on Environmental and Social Sustainability* as interim standards.

Supported projects must comply with the IFC Performance Standards:

- Labour and Work Conditions (PS 2)
- Resource Efficiency and Pollution Prevention (PS 3)
- Community Health, Safety and Security (PS 4)
- Land Acquisition and Involuntary Resettlement (PS 5)
- Biodiversity Conservation and Sustainable Management of Living Natural Resources (PS 6)
- Indigenous Peoples and Marginalised Groups (PS 7)
- Cultural Heritage (PS 8)

IFC Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts is not binding for all projects.

The BMU, ZUG and implementing organisations also ensure compliance with international treaties for the protection of human rights to which the German government is signatory – in particular the United Nations human rights conventions⁶ and the eight Core Labour Standards of the International Labour Organization (ILO).⁷

1.5 Scope of application

The safeguards standards are applied to all projects in receipt of IKI funds. This also includes sub-projects which are supported by funds from financial intermediaries and sub-projects receiving forwarded funds for activities specified after the project launch.

Kommentiert [YY8]: It is confusing. IFC Performance standards 2-8 are not binding for all projects, either. They are applicable if and when related risks arise. They, then, are followed by the PS 1.

Kommentiert [SG9R8]: We have revised this sentence to avoid further confusion.

⁶ The 10 human rights conventions of the United Nations include: the International Convention on the Elimination of all Forms of Racial Discrimination (1965), the International Covenant on Civil and Political Rights (1976), the International Covenant on Economic, Social and Cultural Rights (1967), the Convention on the Elimination of all Forms of Discrimination against Women (1981), the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (1987), the Convention on the Rights of the Child (1990), the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (2003), the International Convention on the Protection of All Persons from Enforced Disappearance (2010), the Convention on the Rights of Persons with Disabilities (2006).

⁷ The 8 ILO Core Labour Standards include: Freedom of Association and Protection of the Right to Organise Convention (1948), Right to Organise and Collective Bargaining Convention (1949), Forced Labour Convention (1930), Abolition of Forced Labour Convention (1957), Minimum Age Convention (1973), Worst Forms of Child Labour Convention (1999), Equal Remuneration Convention (1951), Discrimination (Employment and Occupation) Convention (1958).

2 Responsibility for compliance with the safeguards standards

Compliance with the safeguards must be ensured in the planning, review and implementation stages of projects. To this end, the BMU, ZUG and implementing organisations conduct safeguards due diligence in their respective area of responsibility.

In accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP), the due diligence process distinguishes between whether project activities a) *cause* or b) *contribute* to adverse impacts on the environment and people, or whether c) the project is proven to have a *direct link* to the adverse impacts through its relationship to political, implementing or contractual partners or other third parties.⁸

Depending on how the project is involved in adverse impacts on the environment and people, the responsible organisations are obligated to cease or prevent the adverse impacts, or to make best endeavours to do so.

The cease-or-prevent obligation applies if the adverse impacts are the result of the project activities. In other words, if the project activities have a direct causal link to (potential) adverse impacts on the environment and people.

Under the cease-or-prevent obligation, the BMU, ZUG and implementing organisations are responsible for ensuring that there are no adverse impacts on the environment and people, or that these are adequately minimised or mitigated.

The best-endeavours obligation applies if the project *contributes* to third party activities which have a direct causal link to (potential) adverse impacts on people and the environment. This relates, for example, to activities which would be carried out by a third party irrespective of the project, but which receive financial, technical or advisory support from the project. A best-endeavours obligation also applies if the project is proven to have a *direct link* to the adverse impacts through its relationships to political, implementing or contractual partners or other third parties.

Under the best-endeavours obligation the BMU, ZUG and implementing organisations must make credible efforts to prevent, minimise or mitigate adverse impacts on the environment and people.

What constitutes best-endeavours depends on the extent of the project's influence and the severity of the adverse impacts. Influence is not only determined by the formal and legal possibilities, but, in line with the UNGP, also hinges on the project's political and economic leverage.⁹

2.1 Due diligence of implementing organisations

Under the due diligence requirements outlined above, implementing organisations are responsible for compliance with the Safeguards Policy and the safeguards standards it contains. Due diligence applies during project planning and implementation and also includes impacts that may arise in future after the project is concluded. The obligation to comply with the Safeguards Policy is laid down in the approval/grant agreement. Implementing organisations commit to countering adverse impacts on people and the environment and to preventing or reducing as far as possible the risk of such impacts. Lead responsibility for this lies with the implementing organisation. It must comply with the cease-or-prevent obligation in its project activities. In addition, it is responsible for informing implementing partners, recipients of forwarded funds, sub-contractors and contractual partners in project activities of the cease-

⁸ 19 (b), UN Guiding Principles on Business and Human Rights.

⁹19, UN Guiding Principles on Business and Human Rights.

or-prevent obligation regarding compliance with the safeguards standards, and for ensuring this requirement is met. Moreover, the implementing organisation is subject to the best-endeavours obligation in its interactions with political and implementing partners, recipients of forwarded funds, sub-contractors, contractual partners and other third parties.

Furthermore, the implementing organisation is responsible for providing the BMU and ZUG with adequate information to allow a sound review of compliance with the safeguards standards throughout the entire project cycle. Violations of the safeguards standards must be reported to ZUG immediately as set out in section 7.

2.2 Due diligence of the BMU and ZUG

The BMU bears political and legal responsibility for IKI.

ZUG assists the BMU in the selection and support of IKI projects. It coordinates project selection, draws up funding decisions and assesses project progress by conducting reviews of the interim, final and regular reports. For IKI Medium Grants ZUG also issues grant agreements.

Under due diligence requirements, ZUG is responsible for reviewing compliance with the safeguards standards throughout the entire project cycle. ZUG must inform the BMU about potential difficulties in complying with the safeguards standards. ZUG must also inform implementing organisations of their obligation to comply with the safeguards standards.

ZUG has a safeguards team which provides consultation on all safeguards-relevant issues both within ZUG and to the BMU.

3 Risk categorisation

In order to appropriately address environmental and social risks, the environmental and social risks and impacts of each project are analysed and assessed. This enables activities to be planned in a way that is consistent with the safeguards standards. The following presents the categories for assessing environmental and social risks, explains the distinction between direct and indirect risks and outlines the rules for the different risk categories.

3.1 Risk categories

There are three safeguards risk categories: A = high risk, B = moderate risk, C = low risk



The risk categories are defined as follows:

A – activities with **high adverse** environmental and social risks/impacts that are diverse, unprecedented or irreversible

B – activities with **moderate adverse** environmental and social risks/impacts that are few, site-specific and largely reversible

C – activities with **low adverse** environmental and social risks/impacts.

For projects in which financial intermediaries (FI) are involved in forwarding IKI funds, the risk categories are defined as follows:

FI A – the financial intermediary's portfolio for (co-)financing is expected to include substantial financial exposure to activities with potential *significant* adverse environmental and social risks or impacts that are diverse, irreversible or unprecedented

FI B – the financial intermediary's portfolio for (co-)financing is expected to include financial exposure to activities with potential *limited* environmental and social risks or impacts that are few, site-specific and largely reversible

FI C – the financial intermediary's portfolio for (co-)financing is expected to include financial exposure to activities with potential *minimal* environmental and social risks or impacts.

The assessment of the environmental and social risk of a (co-)financed portfolio includes aspects such as country context, sector, type of activities and the nature of the grantee or borrower. The financial intermediary's capacity and commitment to managing these risks is also assessed.

3.2 Risk categorisation

All projects are categorised according to the type, extent, severity and complexity of their environmental and social risks and impacts on the environment and people.

The overall risk assessment of a project is based on the Performance Standard with the highest risk level. This means that the overall risk is derived from the separate assessment of each Performance Standard (A-C, or n/a (not applicable)).

The **assessment of the risk significance** is informed in particular by the following criteria:

- a) probability of the occurrence of adverse environmental or social impacts
- b) extent of the potential adverse impacts (e.g. number of affected people, hectares etc.)
- c) intensity of the potential adverse impacts (e.g. sound levels of construction noise, severity of harmful health effects etc.)
- d) frequency/recurrence of the potential adverse impacts (e.g. duration, point in time)
- e) sensitivity/vulnerability of the persons or groups, fauna, flora and habitats affected, taking due account of their adaptive capacity
- f) irreversibility of adverse impacts.

Classifying a project as risk category A also entails analysing whether the risks or impacts meet the following criteria:

- a) diverse: a range of risk types and impacts are identified which may hinder the efforts of the implementing organisation to adequately plan and execute safeguards measures
- b) unprecedented: risks and impacts are identified that have not previously occurred at the site of the project and that could hinder efforts to adequately plan and execute safeguards measures
- c) irreversible: risks and impacts are identified that result in permanent harm to the quality of biodiversity or ecosystem services, or that have lasting significant adverse impacts on affected communities, especially marginalised, vulnerable or indigenous groups.

Risk categorisation must assess what the environmental and social risks of a project would be prior to implementation of the safeguards measures.

Risk categorisation should also consider potentially severe risks and impacts of project activities.

Moreover, the risk analysis should cover direct, indirect, transboundary and cumulative risks and impacts.

If uncertainties or insufficient information prevent a clear decision on the risk category but there are indications of limited environmental and social risks or impacts, the project is categorised at least as B, in line with the precautionary principle.

Projects which only have indirect risks are categorised no higher than C.

The overall risk should always be categorised as at least C.¹⁰ A Performance Standard may be assessed as n/a if it is clearly irrelevant for any of the project activities.

3.3 Direct and indirect risks

An analysis of the environmental and social risks of a project should consider both direct and relevant indirect risks.

The assessment of environmental and social risks differentiates between direct and indirect risks as follows:

Direct risks are environmental and social risks arising from activities financed from funding. In the context of due diligence, these can include project activities which a) *cause* adverse impacts or b) *contribute* to third-party activities which have adverse impacts. The deciding factor is that the potentially harmful activities are (co-)financed through IKI funds. These include a) activities in the context of projects in receipt of funds and carried out by local implementing organisations and b) activities of sub-projects (co-)financed with funding via an intermediary (e.g. a fund) which are implemented by a local third party. Direct risks can entail a cease-or-prevent or best-efforts obligation, depending on the situation.

Indirect risks are environmental and social risks indirectly arising from activities of a project or initiative. The potentially harmful activities are not directly supported with funding and neither the BMU nor IKI-financed implementing organisations have any appreciable control over the design of these activities. Examples of these are a) activities to implement a strategy co-developed in consultation with a BMU-funded project and b) activities to implement a project which was developed with the support of a fund (co-)financed by IKI. This also includes potentially harmful activities by third-parties which have a direct link to the project or initiative. Indirect risks can only entail a best-efforts obligation.

3.4 Changes to the risk category

The risk category is not considered final and should be reviewed regularly so that changes in the environmental and social risks can be responded to accordingly. Implementing organisations must inform the BMU and ZUG promptly of any change to the risk category.

In the following cases the risk category is reviewed and where necessary amended:¹¹

- a) Changes to activities: when project activities are changed in a way that alters the risk profile of the project
- b) Changes in information status: when new information on the risks and impacts of the activities becomes available (e.g. further studies) that alters the risk profile of the project

¹⁰ If all Performance Standards are assessed as n/a, the overall risk may only be categorised as n/a if the non-applicability can still be credibly demonstrated following a stringent review.

¹¹ See also UNGP, 18, p. 20.

- c) Changes in project context: when the context of the project changes in a way that alters its risk profile, for instance the political situation, new laws or rules or other social, economic, political or environmental developments at national or local level.

4 Requirements based on risk category or project type

4.1 Requirements based on risk category

The Safeguards Policy takes a risk-based approach to managing safeguards risks. In other words, the higher the risk category, the more stringent the requirements for the project's safeguards regime.

Requirements for projects with an overall risk category A, B, C

Projects categorised as risk A, B or C must

- a) plan and execute appropriate safeguards measures
- b) report on safeguards within the regular reporting system.

Requirements for projects with an overall risk category A or B

Projects categorised as risk A or B must additionally

- a) integrate safeguards measures into the work packages
- b) incorporate a safeguards indicator into impact monitoring.

This would also be preferred for category C projects where appropriate.

These rules are aimed at anchoring safeguards more firmly in project management and monitoring. For their integration in project management, safeguards measures that respond to the most significant environmental or social risk are incorporated into the work packages where the risk is most likely to occur. An indicator is formulated to integrate safeguards into monitoring. This safeguards indicator should be based on the most significant environmental or social risk identified by the safeguards risk analysis. The indicator should make it possible to gauge whether expected adverse impacts occurred and/or whether safeguards measures had a positive effect.

Furthermore, where suited to the project design, more comprehensive risk assessments and management plans can be required for category A or B projects. These may include:

- Environmental and Social Impact Assessment (ESIA), Biodiversity Impact Assessment
- General management plans: Environmental and Social Management Framework (ESMF), Environmental and Social Management Plan (ESMP)
- Specific management plans: Biodiversity Action Plan, Resettlement Plan, Livelihood Restoration Plan, Indigenous Peoples Plans, Engagement Plan, FPIC Plan
- Where relevant, project-specific complaint mechanism

Requirements for projects with an overall risk category A

Projects categorised as risk A must submit

- a) Environmental and Social Impact Assessment (ESIA)

- b) Environmental and Social Management Framework (ESMF) and/or Environmental and Social Management Plan (ESMP)

They can also include the following:

- a) termination criteria
- b) twice-yearly reporting obligation

4.2 Requirements for financial intermediaries

Compliance with IKI safeguards must also be ensured in projects involving financial intermediaries. Many financial intermediaries are exposed to environmental or social risks arising from the activities of their grantees or borrowers. They are involved in a wide range of financing activities, including project-financing grants, loan financing, corporate finance and equity lending. These financing activities can vary in terms of the safeguards risks and the degree of control over activities of the grantees or borrowers.

In the risk management of their (co-)financed portfolio, financial intermediaries in receipt of BMU funding must take due account of environmental and social risks and ensure that relevant safeguards measures are planned and executed down to the sub-project level. The sub-project level is where funding is converted into project activities and consequently where damage can occur. Financing projects, in particular, often involve several stakeholders before the funds are translated into actual project activities.

The BMU and ZUG should also apply the rules outlined here to situations where the implementing organisations only decide on recipients of forwarded funds after the project has started, passing on funds for the implementation of activities which had not been specified at the time of the application submission (e.g. pilot projects following competition procedures). In these cases, the implementing organisation must apply the same standards as the financial intermediary.

Financial intermediaries must undertake the following to ensure their (co-)financed portfolios comply with the safeguards standards:

- a) commit to complying with the IFC Performance Standards¹²
- b) establish an environmental and social management system for safeguards risks management that is in proportion to the portfolio's level of safeguards risk. This includes
 - a) adequate organisational capacities (personnel and financial), b) suitable processes to ensure safeguards due diligence, c) safeguards monitoring of the portfolio
- c) for portfolios in risk category A or B: regular reporting to the BMU and ZUG on the environmental and social risks, aggregated at portfolio level and including cases of non-compliance or safeguards violations at the sub-project level. Should this, for valid reasons, not be possible, as a minimum, a Serious Incident Report on the safeguards violations must be submitted to the BMU and ZUG within 72 hours after an incident has become known, as set out in section 7.

Financial intermediaries with risk category C project portfolios generally carry out, as a minimum, a sub-project level screening of the safeguards risks.¹³

Financial intermediaries with category A or B projects ensure the following measures are implemented at sub-project level:

¹²Compliance with environmental and social standards that are equivalent to or more stringent than the IFC Performance Standards is also accepted.

¹³ Cf. IFC Interpretation Note on Financial Intermediaries, IN 14 for financial intermediaries with FI-3 risk categories.

- a) obligation of party implementing sub-projects to comply with IFC Performance Standards
- b) safeguards due diligence of individual sub-projects, including
 - i. safeguards risk analysis
 - ii. safeguards measures to prevent, minimise or mitigate risks in order to meet the safeguards standards
 - iii. compliance with partner country's national environmental and social legislation and regulatory framework
- c) agreements on monitoring and reporting on compliance with the safeguards standards.

In the safeguards review, the BMU and ZUG must examine whether the above conditions are met, irrespective of whether the financial resources are received by an existing fund or a newly established financing instrument.

The BMU and ZUG reserve the right to periodically review the quality of a financial intermediary's safeguards due diligence and monitoring. To this end, on request financial intermediaries must grant the BMU and its authorised representatives access to its environmental and social management system, the safeguards due diligence of sub-projects and other relevant sub-project documents of the (co-)financed portfolio necessary for reviewing compliance with the safeguards standards.

5 Exclusion criteria

Certain activities are considered so high-risk to the environment and people that they are excluded from funding. The exclusion criteria are publicly available online.

If it becomes apparent, subsequent to approval of a project, that project activities fall under the exclusion criteria, project termination in accordance with section 7 is considered.

6 Management of safeguards risks throughout the entire IKI project cycle

The individual phases of the project cycle contain different tasks aimed at ensuring compliance with the safeguards standards. These include risk analysis, development of safeguards measures, monitoring and evaluation of compliance and the effectiveness of the safeguards. The goal is an independent, targeted and systematic assessment and verification of the safeguards standards at project level.

Expenditures for safeguards measures are generally eligible for grants. To ensure responsible management of safeguards risks, the implementing organisations must factor safeguards measures into the project budget.

6.1 Selection phase

In the outline submission phase, implementing organisations undertake to comply with the IKI safeguards and the exclusion criteria, and carry out an initial screening of the safeguards risks.

This screening aims to (a) identify all environmental and social risks known at the time, (b) outline adequate safeguards measures and (c) where possible, determine the scope and detail of further risk analyses and management plans.

The BMU can exclude a project outline from the selection process if there are legitimate doubts as to whether the implementing organisation can meet the safeguards standards or whether the exclusion criteria have been observed. ZUG can make a recommendation on this.

If it becomes apparent during the detailed review of the project outline that more comprehensive risk analyses and management plans are needed in the main application phase to ensure an adequate safeguards review, the BMU can stipulate this in its request for an application submission. ZUG can make a recommendation on this.

6.2 Application phase

6.2.1 Application submission

At the time the project proposal is submitted, the implementing organisation must have carried out a detailed review of possible environmental and social risks.

The goals of this review are to (a) analyse the environmental and social risks connected to the proposed activities, (b) specify the risk category of the activities, (c) identify safeguards measures in order to improve the environmental and social impacts of the activities and – if not already addressed during the selection phase – (d) where necessary determine the type and scope of further risk analyses and management plans to be drawn up, disclosed and submitted.

The implementing organisation is responsible for providing the BMU and ZUG with adequate information to allow a sound review of compliance with the safeguards standards. Implementing organisations must therefore answer the questions in the safeguards section as part of the project proposal and document the results of their review in this section as accurately and thoroughly as possible.

The safeguards section sets out:

- a) all identified risks of adverse environmental or social impacts that could arise from project activities
- b) corresponding safeguards measures to prevent, minimise or mitigate adverse impacts
- c) the risk category per Performance Standard
- d) the overall risk category for the project.

During this phase, for risk category A or B, the BMU or ZUG can request additional (possibly external) environmental and social risk analyses and specific management plans from the implementing organisation (see 4.1) if this has not occurred during the selection phase.

The findings and how the implementing organisation manages the safeguards risks can influence the decision on whether a project receives funding from the BMU.

6.2.2 Application assessment

ZUG assesses the applicant's self-assessment concerning safeguards in the project proposal with regard to the following aspects:

- a) plausibility of compliance of project activities with individual Performance Standards
- b) plausibility of the risk category of individual Performance Standards and of the overall risk
- c) plausibility of the measures to prevent, minimise, mitigate or offset risks.

Due diligence always takes priority over time pressure in the application assessment process. The safeguards team must be involved in the safeguards review for project proposals in risk category A or B. It will provide expert advice.

Should the BMU or ZUG be of the opinion that the information on safeguards in the project proposal is insufficient for a plausibility review, the implementing organisation is requested to submit all necessary additional information by realistic, ideally short deadlines. It is a prerequisite for project funding that the implementing organisation provides adequate additional information in this follow-up process.

Should the BMU and the implementing organisation reach different conclusions regarding risk assessments after the follow-up questions have been clarified, the BMU conclusion prevails. ZUG makes a recommendation on this to the BMU. If necessary, the implementing organisation must adapt the project concept in accordance with 4.1.

If the BMU is of the opinion, after the application assessment, that a more detailed (external) safeguards risk analysis or safeguards management plans are required in accordance with 4.1, the letter of approval/grant agreement must contain corresponding stipulations with deadlines. ZUG makes a recommendation on this to the BMU. The implementing organisation must satisfy the stipulations as soon as possible, at the latest 12 months after receipt of the letter of approval/grant agreement, and must present the relevant documentation to the BMU and ZUG without delay in order to ensure safeguards-compatible project management.

6.3 Monitoring

Proper monitoring of safeguards risks plays a key role in successfully counteracting potential adverse impacts of project activities at an early stage.

Implementing organisations are responsible for establishing an adequate on-site monitoring system to enable a prompt response to safeguards-relevant developments. The monitoring system must also record all relevant information to facilitate reporting to the BMU and ZUG on compliance with safeguards standards as part of regular reporting.

Imminent, existing or past violations of safeguards must be notified immediately (see 7).

6.3.1 Interim reports

Interim reports are the key instrument for the BMU and ZUG to monitor the safeguards standards in the funded projects.

The BMU and ZUG use the reports to review compliance with the safeguards standards. The reports compile information on safeguards-relevant developments such as changes to the risk category, implementation and success of the planned safeguards measures and on all adverse environmental and social impacts that have occurred or may occur as a result of project activities.

The safeguards team is notified immediately in cases of possible violations of safeguards standards. The BMU or ZUG can launch a more detailed review of the situation and where necessary can initiate an amendment process (see 7).

6.3.2 Amendment applications/requests

In the case of changes in the results matrix or the planning of new activities as part of conceptual amendment applications/requests, the implementing organisation must also update the safeguards section, especially with regard to risk categorisation and the adequacy of the safeguards measures.

6.3.3 Changes to the risk category

In the case of changes to the safeguards risk category (see 3.4), the implementing organisation must update the project proposal with regard to risk categorisation and the adequacy of the safeguards measures. Projects moved to a higher risk category must satisfy the requirements of their new risk category in accordance with section 4.2. Exceptions are possible if there are

valid reasons (for example the project is nearly at an end). The amended project proposal, including the safeguards section, must be submitted to the BMU and ZUG for assessment. However, a formal amendment application is not required.

6.4 Evaluation

Compliance with the safeguards standards is an integral component of evaluating funded projects. All evaluations examine the implementation and impact of the safeguards measures and potential adverse impacts on the environment and people arising from the funded project activities.

6.5 Project completion

The implementing organisation is also accountable for compliance with the safeguards standards after the project has ended. In the final report, the implementing organisation reports on changes to the risk category, implementation and success of the planned safeguards measures and on all adverse environmental and social impacts resulting from project activities.

The BMU and ZUG use the reports to review compliance with the safeguards standards. If safeguards violations are identified once a project has been completed, the safeguards team is informed immediately. The BMU can require the implementing organisation to take part in minimising or mitigating adverse impacts arising from project activities even after project completion.

7 Managing adverse impacts on people and the environment

Should IKI projects cause safeguards-relevant adverse impacts on people and the environment, countermeasures can be taken through an amendment or termination process.

7.1 Conditions for a safeguards-relevant amendment process

If, in the course of IKI project activities, there are indications or occurrence of adverse impacts on people and the environment that are categorised as at least *risk category B*, the project must be adapted to ensure these adverse impacts are prevented, minimised or mitigated. An amendment process seeks a solution to the serious deficits and attempts to prevent, minimise or mitigate impacts through appropriate measures in an amendment plan.

The safeguards team must be informed about all steps in this process. It will provide expert advice.

An amendment process comprises the following steps:

1. The implementing organisation must inform ZUG without delay about anticipated or actual adverse impacts within 72 hours of becoming aware of these impacts.

This notification occurs via the Serious Incident Reporting Form available on the IKI website. The situation should be described in a way that clearly illustrates the scale of the adverse impacts and their connection with project activities. Responses in the Serious Incident Reporting Form should be as detailed as possible to enable the situation to be correctly assessed.

The implementing organisation must also provide information on how the adverse impacts will be prevented, minimised or mitigated in the short term, e.g. whether the relevant project activities are being halted or changed or whether a mediation process is to be launched.

The BMU or ZUG can also initiate the amendment process should the review of the interim and final reports or other information channels indicate the occurrence of relevant adverse impacts.

2. The implementing organisation must submit a proposal for an amendment plan no later than 15 working days after notifying ZUG. The proposal should be developed in close cooperation with political partners, implementing partners and relevant stakeholders.

The amendment plan lays down in detail the concrete safeguards measures being taken to prevent or mitigate the adverse impacts. The project proposal is revised on the basis of this amendment plan and the safeguards measures that have been drawn up are integrated into the corresponding work packages and the safeguards section.

3. ZUG assesses, within 15 working days, whether the safeguards measures proposed in the amendment plan are sufficient to prevent or mitigate the adverse impacts identified.

The BMU is notified of the findings of the assessment and can comment as necessary. The amendment plan is then finalised in close cooperation between ZUG, the implementing organisation and any other project partners and stakeholders within a further 10 working days.

4. The final version of the amendment plan is submitted to the BMU via ZUG for approval. The BMU approves the amendment plan and the revised project proposal within 15 working days. Any requested changes are incorporated during this time.

Generally speaking, the BMU approves a safeguards-related amendment plan without a formal amendment application. The goal is to ensure swift implementation of the safeguards measures.

Where a formal amendment application is required in addition to the amendment plan due to the provisions of the IKI funding programme (e.g. in cases of additional funding, reallocation of funds above 20%), this amendment application is treated as a top priority by the BMU, ZUG and the implementing organisation in order to prevent further adverse impacts.

5. The implementing organisation begins implementing the safeguards measures immediately after approval of the amendment plan or approval of the amendment application/request.

6. Progress on implementing the amendment plan is presented in the interim reports. Where necessary, more in-depth monitoring and reporting can be agreed between ZUG and the implementing organisation.

7.2 Conditions for safeguards-relevant project termination

If, in the course of project activities, there are indications or occurrences of adverse impacts on people or the environment that make continuation of the project unjustifiable from a safeguards perspective, and if the amendment process is unsuccessful, a project termination process can be launched.

The safeguards team must be informed about all steps in this termination process. It will provide expert advice.

Conditions under which continuation of the project is unjustifiable from a safeguards perspective are:

- a) the occurrence or indications of major adverse impacts on people or the environment categorised as risk category A. These include:
 - I. major abuses of human rights, including violations of the right to life, the right to physical and psychological integrity, the right to safety, protection against torture and unlawful deprivation of liberty, crimes against humanity, genocide, war crimes
 - II. massive environmental damage that cannot be reversed

- b) subsequent awareness of project activities that fall under the safeguards-relevant exclusion criteria (see 5)
- c) non-compliance with safeguards requirements in the planning and initial phase within the given deadlines without adequate justification (e.g. no Environmental and Social Management Framework/Plan, Resettlement Plan)

Project termination is a last resort. Generally speaking, a termination process is preceded by an amendment process as described in 7.1.

Conditions under which a safeguards-related amendment process is classed as unsuccessful are:

- a) unwillingness or insufficient capacities on the part of the implementing organisation or relevant project partners to implement the safeguards measures contained in the amendment plan in order to prevent adverse impacts on people or the environment or to minimise or mitigate them to an acceptable level
- b) there are no possible measures for preventing, minimising or mitigating the adverse impacts on the required scale.

If one of the above conditions applies, project termination is necessary from a safeguards perspective and the entire process moves to a termination process. In this case, the preparation and clarification phase can be omitted and the termination process can begin immediately.

8 Complaint mechanism

Persons or groups that feel adversely affected by a project need a reliable tool for making their complaints heard and for solutions to be found. The IKI funding programme has set up an independent complaint mechanism (ICM) for this purpose. The complaint mechanism aims to help projects operate in conformity with the safeguards standards, avoid harm to the community concerned and to the environment and establish effective remedies where harm could not be avoided despite best endeavours.

The complaints process is outlined in the Independent Complaint Mechanism Policy.

9 Stakeholder engagement

Appropriate stakeholder engagement ensures access to information, meaningful consultation and informed participation in a culturally appropriate and gender responsive manner. Stakeholder engagement is a basis for identifying safeguards risks and adequate safeguards measures and, beyond this, is a key component of successful project planning.

Implementing organisations must therefore ensure appropriate stakeholder engagement in project planning and implementation. A particular focus should be on including indigenous, marginalised and vulnerable groups and individuals (potentially) affected by planned project activities.

Should project activities require an FPIC process, the implementing organisations must ensure that the FPIC process meets international standards and is carried out in good time before project activities begin. It is crucial to involve affected groups and individuals in consultations from an early stage, ideally in the planning phase.

The purpose, scope, timetable and target groups of stakeholder engagement should be set out by the implementing organisation at the kick-off meeting for the preparation phase or, if a preparation phase is not envisaged, in parallel to project approval. Documentation of stakeholder engagement and the outcomes can be enclosed with the project proposal.

10 Communication and capacity building

Communication and capacity building on safeguards are an important factor in the successful implementation of the Safeguards Policy and guaranteeing compliance with the safeguards standards. This includes:

- a) presenting the Safeguards Policy in the IKI steering committee or other BMU formats
- b) presenting the Safeguards Policy and safeguards practice to experts at national and international level
- c) integrating safeguards into IKI public relations work through regular information about best practices, online communications (website, Twitter, newsletter etc.) and events
- d) promoting exchange and learning between funded projects
- e) providing regular training and guidance on safeguards for staff at the BMU, ZUG and implementing organisations.

11 Learning and knowledge management

Learning and knowledge management are integral parts of the safeguards system. This includes:

- a) continuous review and further development of the safeguards system through the regular assessment of all safeguards-relevant information submitted to the IKI funding programme as part of reporting, evaluations, complaint submission or through other channels
- b) integration of safeguards into BMU and ZUG knowledge management and processing of the above information; preparation of facts and figures and compilation of guidance and best practices
- c) cooperation with international and national actors from civil society, other donor institutions and implementing organisations on cross-organisational exchanges and learning initiatives regarding safeguards
- d) an internal review process of the Safeguards Policy and safeguards standards every two years from the time the Safeguards Policy becomes effective; an external review with stakeholder dialogue every four years to supplement the internal review process
- e) regular external evaluation of the Safeguards Policy and safeguards standards as part of a strategic evaluation. The first evaluation will be carried out two years after the policy becomes effective.

The review and evaluations help assess achievement of the policy's goals, especially regarding the effectiveness of compliance with the safeguards standards in project countries, the effectiveness and efficiency of the safeguards processes and compliance with the latest international standards and best practices.

12 Documentation and transparency

12.1 Documentation

The BMU, ZUG and implementing organisations must document all decisions on safeguards-relevant issues and archive all such documents at a suitable location. These include project proposals, more comprehensive risk analyses and management plans and documentation on dealing with safeguards-relevant incidents (see 4.1). The goal is to ensure that management of safeguards risks by all actors can be reconstructed in retrospect in order to meet accountability obligations.

12.2 Transparency

The BMU is committed to the greatest possible transparency regarding the environmental and social risks of funded projects, especially transparency for affected individuals, communities and stakeholders in the project region and for the public.

It is important to make sure that all individuals, communities and stakeholders affected by a planned project are given access to information from an early stage, are able to express to the IKI funding programme and the implementing organisation any concerns and can offer proposals for improvements.

The implementing organisation must provide the affected individuals, communities and other stakeholders with the safeguards risk analysis and the planned safeguards measures (safeguards section) before project approval. It is also obligated to publish the safeguards section on its website after approval. If requested by affected individuals, communities or other stakeholders, implementing organisations must also present a summary of project activities¹⁴ and any safeguards risk analyses and safeguards management plans within five working days.

ZUG publishes the safeguards risk analysis and planned safeguards measures (safeguards section) on the project page on the IKI website as soon as possible after approval. This information must remain publicly available on the IKI website and kept up-to-date for the duration of the project.

13 Budget and resources

Implementation of the Safeguards Policy is an integral part of funding management and contributes to the quality assurance of projects. To implement the Safeguards Policy, the BMU will secure adequate personnel and financing resources for the funding programme. In particular:

- provision of resources and sufficient personnel in ZUG for capacity building and supporting safeguards throughout the entire project cycle
- provision of resources for planning and implementing safeguards measures in projects

¹⁴ The summary of project activities must contain at least a) the goal, type and scale of activities, b) the duration of activities and c) an overview of consultations carried out with stakeholders and of planned future inclusion of stakeholders.

14 Effective date and review

The Safeguards Policy becomes effective on the day of publication by the BMU. It applies to all projects approved after the policy becomes effective and to those receiving additional funding after that date. It will apply to all further existing projects where possible.

Changes to the Safeguards Policy will be formulated on the basis of the evidence collected under section 9. The BMU will decide on possible amendments or additions.