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GUIDELINES FOR ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS ASSESSMENT IN ITTO PROJECTS

Prepared for International Tropical Timber Organization (ITTO)

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TABLE OF CONTENTS

TABLE OF CONTENTS **1**
ACRONYMS AND ABBREVIATIONS **3**
1. INTRODUCTION **4**
1.1 Background 4
1.2 Objectives of ITTO's ESIA Guidelines 5
1.3 Scope of ITTO's ESIA Guidelines 5
1.4 Target audience of ITTO's ESIA Guidelines 5
1.5 Related ITTO Guidelines consulted 6
1.6 Structure of the Guidelines 6
2. OVERARCHING POLICY AND PRINCIPLES **6**
3. ITTO'S MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS AT PROJECT LEVEL **10**
3.1 Environmental and Social Risks and Impacts assessment and management 11
3.2 Interaction with project design and proposal development 11
3.3 Project screening for environmental and social risks identification and impact classification 11
3.4 Stakeholders engagement and engagement planning 12
3.5 Scoping to identify potential sources of impact 12
3.6 Assessment and management of social and environmental risks and impacts 15
3.7 ESIA report and ESCP 18
3.8 Second disclosure of information to stakeholders and grievance mechanism 19
3.9 ESIA Report approval 20
3.10 Monitoring and reporting 20
4. ENVIRONMENTAL AND SOCIAL REQUIREMENTS **20**
4.1 ESS 1: Rehabilitation of degraded forest landscapes 21
4.1.1 Introduction 21
4.1.2 Objective of ESS 1 21
4.1.3 Scope of application 21
4.1.4 Requirements 21
4.2 ESS 2: Managing tropical-timber producing forests 22
4.2.1 Introduction 22
4.2.2 Objectives of ESS 2 22
4.2.3 Scope of application 23
4.2.4 SFM requirements 23
4.3 ESS 3: Community-based natural resource management 24
4.3.1 Introduction 24
4.3.2 Objective of ESS 3 24
4.3.3 Scope of application 24
4.3.4 Requirements 24
4.4 ESS 4: Biodiversity conservation in timber producing forests 25
4.4.1 Introduction 25
4.4.2 Objective of ESS 4 25
4.4.3 Scope of application 25
4.4.4 Requirements 25
4.5 ESS 5: Watershed management areas 26
4.5.1 Introduction 26
4.5.2 Objective 26
4.5.3 Scope of application 26
4.5.4 Requirements 26
4.6 ESS 6: Forest-based climate change mitigation and adaptation 27
4.6.1 Introduction 27
4.6.2 Objective of ESS 6 28
4.6.3 Scope of application 28
4.6.4 Requirements 28
4.7 ESS 7: Planted forests 28
4.7.1 Introduction 28
4.7.2 Objective of ESS 7 29
4.7.3 Scope of application 29
4.7.4 Requirements 29
4.8 ESS 8: Forest industries and trade 30
4.8.1 Introduction 30

4.8.2 Objectives of ESS 8 30
4.8.3 Scope of application 30
4.8.4 Requirements 30

LITERATURE CONSULTED 32
ANNEX 1: GLOSSARY OF KEY TERMS 33
ANNEX 2: PRELIMINARY CATEGORIZATION OF PROJECTS 35
ANNEX 3: PROJECT ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA) SCREENING CHECKLIST 37
ANNEX 4: GENDER MARKER CODES 39
ANNEX 5: CONTENTS OF THE ESIA REPORT 40

List of Figures

Figure 1: Overview of the ITTO ESIA process stages 13
Figure 2: Interactions between risk and impact assessment and other stages of ITTO project cycle 14

ACRONYMS AND ABBREVIATIONS

AAC	Annual allowable cut
ATO	Africa Timber Organization
CBO	Community-based organization
CBNRM	Community-based natural resources management
C.&I.	Criteria and indicators
ESIA	Environmental and social impact assessment
ESCP	Environmental and social commitment plan
ESS	Environmental and social standard
FAO	United Nations Food and Agricultural Organization
FPIC	Free prior and informed consent
GEF	Global Environment Facility
GEWE	Gender equality and women's empowerment
GHG	Green house gas
IFC	International Finance Corporation
IUCN	International Union for Conservation of Nature
HQs	Headquarters
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organization
NAMA	Nationally Appropriate Mitigation Action
NGO	Non-governmental organization
NTFP	Non-timber forest product
PFE	Permanent forest estate
REDD+	Reducing emissions from deforestation and forest degradation
RIL	Reduced impact logging
SEP	Stakeholder engagement plan
SFM	Sustainable forest management
TBCA	Transboundary biodiversity conservation
UNDP	United Nations Development Programme
UNCED	United Nations Conference on Environment and Development
UNFCCC	United Nations Framework Convention on Climate Change
UNEP	United Nations Environment Programme.

1. INTRODUCTION

1.1 Background

1. Social and environmental sustainability are important dimensions in ITTO projects, particularly in the areas of forest management and reforestation, and forest industry. They have always been fundamental to the achievement of development outcomes in those projects as they are in line with one of the Organization's objectives of contributing to sustainable development. The ITTO Guidelines for Environmental and Social Risks and Impacts Assessment (ESIA) come to further strengthen this commitment by providing a tool for systematic mainstreaming of environmental and social sustainability in its field projects.

2. ESIA is increasingly used to identify and understand the environmental and social impacts of development projects. For an Organization like ITTO, it demonstrates the recognition of the environmental responsibility that comes with its mandate, which is to promote sustainable development through trade, conservation and best-practice management of tropical forests. This mandate implies protection of biodiversity in both protected areas and production forests, and care about the rights of use and access to natural resources of forest dependent local communities and indigenous people dwelling in tropical forests. Furthermore, with the global community strengthening the resolve to move towards a low carbon future, the ITTO needs to provide ESIA tools that can play a major part in promoting environmentally sound and sustainable development through the identification of appropriate enhancement and mitigation measures in projects submitted by its members for funding.

3. ITTO has funded more than 750 projects, pre-projects and activities submitted by member countries in the areas of forest management and reforestation, forest industries, and economic information and market intelligence. Evidence from ex-post evaluations of more than 500 projects has shown that generally these actions do no harm to the environment. A Meta-evaluation of all previously evaluated projects conducted in 2011 (Simula, El-Lakany and Tomaselli, 2011) has shown that ITTO projects have contributed to the achievement of sustainable development (including poverty reduction), and have had a positive impact in the areas of: (i) sustainable forest management (SFM), including restoration and rehabilitation of degraded forests, reforestation and plantations; and (ii) development of community forest management and enterprise. The Meta-evaluation also noted that environmental sustainability has generally been rated satisfactory (score of 4 on a scale of 1 to 5), while social sustainability has been more problematic.

4. Although the performance of ITTO's projects on environmental sustainability has generally been satisfactory, there are important reasons for the Organization to develop its ESIA tools. The first one is to proactively demonstrate the commitment to pay due attention to social sustainability[1] which has to be integrated with environmental sustainability in the ESIA tools in order to provide the opportunity to avoid, minimize, mitigate and manage the adverse environmental and social impacts of the projects. A fundamental reason is that environmental and social sustainability are pathways to achieving sustainable development outcomes, which are implied under the following two of the objectives of ITTA 2006, listed under its Article 1:

   - Paragraph c: "Contributing to sustainable development and to poverty alleviation";
   - Paragraph r: "Encouraging members to recognize the role of forest-dependent indigenous and local communities in achieving sustainable forest management and develop strategies to enhance the capacity of these communities to sustainably manage tropical timber producing forests".

5. Another reason is the requirements of financiers. Many institutions that finance development projects have adopted the Equator Principles (www.equator-principles.com, 2013). These principles commit those institutions to assessing potential investments in accordance with the International Finance Corporation's Performance Standards on Social and Environmental Sustainability, which include ESIA (IFC, 2012).

[1] For definitions of key terms and concepts see Glossary in Annex 1.

6. In addition to these arguments, ITTO's ESIA Guidelines will strengthen the effectiveness of other related ITTO's technical Guidelines and will provide additional guidance to enable ITTO members design and implement quality projects. They constitute a new tool for screening and categorization of proposals that will strengthen the existing project appraisal process and allow ITTO to address the ESIA requirements.

1.2 Objectives of ITTO's ESIA Guidelines

7. The ITTO ESIA Guidelines are about ensuring that its field projects contribute to environmental and social sustainability goals in beneficiary countries. Their objective is to define ITTO' Environmental and Social Standards (ESS) and their respective requirements, and to clarify the Environmental and Social Impact Assessment and Risk Management processes, which will be used to: (i) enhance positive environmental and social opportunities and benefits from the Organization's thematic programs and projects; (ii) to ensure that adverse environmental and social risks and impacts are avoided, minimized, mitigated and managed; (iii) to increase the effectiveness of other ITTO's tools on implementing sustainable forest management in addition to underpinning and demonstrating the Organization commitment to sustainable development; and (iv) to assist ITTO and project executing agencies to manage environmental and social risks and impacts of projects.

1.3 Scope of ITTO's ESIA Guidelines

8. ITTO's ESIA Guidelines provide tools that govern the process of determining a project's environmental and social category and the resulting environmental and social assessment requirements. These tools can be used iteratively as a design (for project proponents) and appraisal tools (for ITTO) from the earliest stages of project identification. Pre-screening proposals will help to ensure that the proponents consider and integrate social and environmental sustainability issues into the project design, which will, enhance the quality of the project and the chance of earlier approval by the ITTC. The ESIA process allows therefore to address environmental issues in a timely and cost-effective way during project design, preparation and implementation. This can help reduce overall project costs, assist in completing projects on schedule and help design interventions, which are acceptable to stakeholders. Furthermore, it strengthens ownership of the project by the public through their participation.

9. The ESIA is not meant to replace other ITTO Guidelines or project appraisal tools; instead it complements them as it includes environmental and social effects of the projects, and takes into account climate change. Though ESIA is applied at the project level, there is a need to institutionalize ESIA in policy and planning activities to ensure that the environmental effects of policies can be evaluated in a much wider context and the cumulative effects assessed and monitored.

1.4 Target audience of ITTO's ESIA Guidelines

10. The target audience of these ESIA Guidelines is principally:

- ITTO Secretariat
- ITTO project implementers
- ITTO project proponents;

but also:

- ITTO's Members
- Donors
- ITTO projects partners and stakeholders
- ITTO Projects' consultants and contractors.

1.5 Related ITTO Guidelines consulted

11. The related ITTO Guidelines consulted are:

- ✓ ITTO Voluntary Guidelines for Sustainable Management of Natural Tropical Forests (2015);
- ✓ ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests (2009);
- ✓ Simplified ITTO criteria and indicators for SFM.
- ✓ ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests
- ✓ ITTO guidelines for the establishment and sustainable management of planted tropical forests.
- ✓ (DRAFT) ITTO Guidelines on gender equality and women's empowerment

1.6 Structure of the Guidelines

12. The document starts with an Introduction, followed by chapter 2, which defines overarching principles for ITTO ESIA processes. Chapter 3, "ITTO Management of Environmental and Social Risks at Project Level" develops the tool for assigning categories to proposals. Chapter 4, "Environmental and Social Requirements" defines the minimum requirements that projects should meet under different standards. The Main text is followed by Annexes.

2. OVERARCHING POLICY AND PRINCIPLES

13. There is a close relationship between environmental and social impacts of projects, which requires identifying principles that are the cornerstones of decision-making in ITTO's integrated ESIA. Five principles have been identified to underpin ITTO's ESIA processes; they include three normative principles (environmental sustainability, social sustainability, and gender equality), and two enabling principles (forest governance and security of tenure). They are described in continuation.

Principle 1: Environmental sustainability.

> As sustainable development remains a developmental issue, environmental sustainability is fundamental to human development and wellbeing.

14. The goal of sustainability is at the heart of ITTO's Mandate. Article 1 of ITTA, 2006 states that "The objectives of the International Tropical Timber Agreement, 2006 (…) are to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber producing forests (…)". The most known tool produced by ITTO to implement its vision of sustainability is the "Revised ITTO criteria and indicators for the sustainable management of tropical forests" or C. & I. Its Criterion 1, "Enabling conditions for sustainable forest management" addresses the general institutional requirements that are necessary to make sustainable forest management possible; it states that, "To ensure sustainable forest management it is important that forest resources, especially the PFE, are secured and protected and that they are managed in accordance with best management practices involving all stakeholders, in particular local communities who are dependent on the forest".

15. ITTO provided operational definitions of sustainable forest management in its successive editions of Guidelines for sustainable Management of Natural Tropical Forests. ITTO (1992) defines SFM as "the process of managing forest to achieve clearly specified objectives of management, with regard to the production of a continuous flow of desired forest products and services, without undue reduction in the forest's inherent values and future productivity, and without undue undesirable effects on the physical and social environment". This definition implies the following objectives of SFM:

- Continuously satisfying the needs for goods and services provided by forests; ensuring the conservation of forest soils, water and carbon stocks;
- Conserving biological diversity;
- Sustaining the resilience and renewal capacity of forests, including carbon storage;
- Supporting the food security and livelihood needs of forest dependent communities;
- Ensuring an equitable sharing of the responsibilities and the benefits from forest uses.

Principle 2: Social sustainability

The commitment to sustainable development requires social sustainability to be the cornerstone of the work of development projects and it should be built in the project proposals

16. Environmental sustainability and social sustainability cannot be treated as unconnected components of sustainable development. A socially sustainable development approach is one in which policy efforts do not shy away from the multiple interdependent processes and situations that predispose the poor and the vulnerable in rural communities to harm from shocks and change. Recognizing the interdependence between environmental and social sustainability should be at the core of ITTO's development programs and projects. Social sustainability must be built on the foundations of productive and social inclusion in these programs and projects. Too often in the past the discourse has focused environmental sustainability, with limited effort to address social issues such as those relating to gender equality and women's empowerment. In the post-2015 era, lifting the wellbeing of communities depending on forests for their livelihoods and survival in ways that respect environmental sustainability and advancing social inclusion should be built in programs that aim at achieving SFM. ESIA can be one of the tools that can help ensure that ITTO's projects are on the pathway towards achieving reconciliation between environmental sustainability and social sustainability.

Principle 3: Gender equality

Promoting the achievement of Gender Equality is an essential component of sustainable human development, in conformity of one of ITTO's objectives of contributing to sustainable development (Article 1, paragraph c).

(Draft ITTO Guidelines for Achieving Gender Equality and Empowerment of Women).

17. The Global Platform for Action, adopted at the Fourth World Conference on Women in Beijing in 1995, requests Governments and other actors "to mainstream a gender perspective into all policies and programmes, so that, before decisions are taken, an analysis is made of the effects on women and men respectively". In this connection, ITTO has formulated Guidelines on Gender Equality and Women's Empowerment (GEWE), whose objectives are: (i) to promote GEWE in achieving the objectives of the ITTA, 2006 and (ii) to advance women's equal participation with men as decision makers in ITTO processes and as equal beneficiaries of ITTO's effort to support sustainable tropical forest management and tropical timber trade in its member countries. Gender impact assessment in ESIA should therefore be part of social assessment and carried out if it is established that a project submitted to ITTO for financing may not have adverse impacts on gender relations. Gender impact assessment means to analyze and compare, using relevant gender criteria, the current situation and the expected project effects and impacts, in order to make improvements in design if corrections are necessary.

18. ITTO recognizes that that gender inequality can be a significant constraint to economic growth and poverty reduction and that development projects can have unintended negative impacts on people when not well designed. It has developed its Guidelines on gender

equality and women's empowerment to specifically address this issue. Integrating a gender perspective in the ESIA process implies taking into account gender differences in roles, rights, priorities, opportunities and constraints.

19. Gender differences are socially and culturally ascribed to men and women; they vary widely within and across cultures and they can change over time. Projects may have different impacts on women and men, due to their differentiated socioeconomic roles and their varying degrees of control over and access to assets, productive resources, and employment opportunities. There may be societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of benefits. The ESIA process should identify the risks for these impacts and propose measures to ensure that one gender is not disadvantaged relative to the other in the context of the project. The measures may include providing opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to benefits (such as land titles, compensation, and employment).

20. To implement GEWE in project formulation and implementation, ITTO will follow a policy of Gender-responsiveness. The Organization's thematic programmes and projects will be gender-responsive in their design and implementation, seeking to identify and integrate the different needs, constraints, contributions and priorities of women and men. The main areas of attention in assessing the gender responsiveness are: access to and control of production factors; division of labor; factors influencing women's rights; and power and decision-making.

21. On access and control of production factors, women and men should be part of the processes that the project intends to develop. They must have equal access and opportunity to production factors, and they should have equal access to information, technologies and capacity building in order to participate in and benefit from these processes.

22. On division of labor, the proponents need to see which project economic activities women and men are involved in, to what extent existing social, economic and cultural factors relate to the division of labor between women and men, and if these factors can be challenged to aid women's empowerment, and which opportunities and entry points can be created to facilitate women's participation in the project.

23. On power and decision-making, the proponents will establish the extent to which women will have the power and capacity to decide and influence the decisions on project implementation. More specifically, the proponent will establish women's power to make decisions in aspects covered by project objectives, if women have equal control over and benefit from resources that may accrue from the project activities, and if women and men will be equitably represented in the project steering and advisory bodies.

24. In the early stage of project identification and design, **p**roponents of projects to be submitted to ITTO are encouraged to conduct gender-sensitive stakeholder analysis to ensure that women's and men's different interests, roles and responsibilities are assessed in project identification, design and implementation. They should conduct a gender analysis to respond to women and men's specific needs and priorities, to identify potential risks, benefits and impacts, to overcome their constraints to access productive inputs, resources and services, and to participate in decision- making.

25. Thematic programmes and projects should design gender equality related monitoring and evaluation indicators for planned outputs, outcomes and impacts. Proponents should ensure that all indicators and information on actions targeting primary stakeholders are broken down by sex. ITTO will apply a Gender Marker system in project appraisal, monitoring and evaluation, to assess the extent to which a project contributes to gender equality (see Annex 4). **P**rojects should include in their progress and other achievement report reports, progress on gender results and measure changes over time. To achieve this, project managers should include in progress reports sex-disaggregated data in project's results framework.

Principle 4: Forest governance

> Appropriate governance is a necessary condition for SFM.
>
> (*Principle 1, ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests*).

26. The relationships between environmental degradation, demand of natural resources by growing national populations, rural poverty and other development issues are very complex. Today there is abundant evidence that sustainable development and conservation of the environment and sustainable natural resources cannot be achieved only through the effort of a development project. Environmental issues need to be addressed through a more open multi-stakeholder approach, which relies on networking, partnerships, and institutional development. This can be achieved only where there is good governance, including transparency, accountability, and participatory approach.

27. FAO and ITTO (2009) describe forest governance as "the modus operandi by which officials and institutions acquire and exercise authority in the management of forest resources. Good forest governance is characterized by predictable, open and informed policymaking based on transparent processes; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in decisions related to the sector."

28. This definition implies that appropriate forest governance is an essential framework which can ensure that ESIA is not a mere procedure but has substance. On the other hand ESIA can help to promote good forest governance by fostering stakeholders participation.

29. Two of the elements comprised in the above definition are professional ethos and government accountability of its actions. These elements are also important factors for the good conduct of ESIA processes. Professional ethos is required in these processes because those in charge should present the conclusions to stakeholders with honesty, integrity, and transparency. To ensure credibility of these conclusions, ESIA must use scientific data from appropriate sources to determine how to avoid, mitigate, and manage environmental and social risks and impacts of ITTO projects. The recommendations must be based on the evaluation of the available information and on evidence that allow determining the best course of action. Where data are not available, ESIA will identify the gaps in knowledge of the risks.

30. With regard to accountability, there are different levels of decisions in the process of project design, submission, approval, funding and implementation. At these different levels of decision, decision-making should be just, fair and transparent, and decision makers at different levels should be accountable for their decisions. At its level, ITTO also remains accountable for ensuring the application of its ESIA Guidelines and the screening procedure for project activities it finances.

31. For ITTO, this commitment implies that; (i) its **p**rojects should contribute to strengthening resource governance and decision-making systems in their area. This includes decisions that affect resource management and use, biodiversity and ecosystems, the rights of affected populations including women, indigenous peoples and local communities; (ii) proponents should include in their proposal plans of promoting broad participation, effective consultation, and recognition of fair and equitable rights is essential. Proponents should spell out how local communities will be aware of social safeguards; (iii) projects should have a mechanism to address communities' concerns and complaints in order to get them actively involved in the stakeholders' engagement process; (iv) the proponent should identify which national institutions will ensure the compliance with implementation of the environmental and social safeguards after project completion; (v) proponents should spell out specific plan for phasing-out of the projects, including handing over of management responsibilities to partners that are expected to sustain project results.

Principle 5: Security of tenure

> Security of tenure is an essential element in building and maintaining community and household livelihoods and resilience.

32. There are situations in which projects in forest management, reforestation, biodiversity conservation, or rehabilitation of degraded may involve changes that affect security of tenure, rights to land, or restrict access to land and natural resources for persons and communities. In such cases project proponents will have to address security of tenure issues in accordance with national laws. In some contexts, customary tenure may be considered. Empirical evidence shows that recognizing customary tenure over forests leads to decreased deforestation, and consequently reduced risks to environmental and social risks. Consequently insecure tenure may be a driver of deforestation. Land tenure reform that recognizes customary tenure is likely to reduce deforestation. Formalization of customary tenure arrangements can also exclude poorer groups within a community, leading them further into marginality and widening inequality.

33. It is therefore important to pay particular attention to land tenure issues, including traditional land rights and obligations and use of natural resources by different Indigenous Peoples and local communities. Land is vital for rural livelihoods and for poverty reduction. Most rural households depend on land and rights of access to natural resources for survival. Unresolved land tenure problems are likely to slow development and threaten the livelihoods of affected present generations but also those of their descendants. Clear land tenure therefore necessary to avoid or decrease land related conflicts. Such conflicts are known to be on the increase where land governance systems are weak.

34. The same attention as for land tenure should be paid to rights of access to and use of natural resources. For example, the access to forests used for shifting cultivation, or for collecting non-timber forests products should not be restricted unless this is necessary for biodiversity conservation until appropriate agreements with the user groups concerned are reached and adequate alternatives are found.

35. ITTO is committed to avoid that its projects trigger land conflicts, or worsen unresolved concerning rights of tenure and rights of access to resources. For projects involving change in land use, proponents will need to assure that: (i) tenure and administration dimensions of the changes that projects may provoke, including issues of security of tenure and access to natural resources, compensation to communities or persons concerned, have been addressed; (ii) all legitimate tenure right holders and their rights will be respected, and reasonable measures will be taken to identify, record and respect legitimate tenure right holders and their rights, whether formally recorded or not; (iii) local people will be fairly and equitably compensated for any agreed land acquisitions and relinquishments of rights; (iv) **l**ocal communities with legal or customary tenure or use rights maintain control, to the extent necessary to protect their rights or resources, over forest operations unless they delegate control with free and informed consent to other agencies; and (v) appropriate mechanisms will be employed to resolve disputes over tenure claims and use rights.

36. ITTO is also committed to ensure that its projects do not impact negatively Indigenous Peoples. Where their rights, territories, lands, resources, and traditional livelihoods may be affected, proponents should seek their full and effective participation, with the objective of securing their free, prior, and informed consent (FPIC).

3. ITTO'S MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS AT PROJECT LEVEL

37. ITTO is an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. In its development work it emphasizes sustainability in all its field projects. To this end it has developed technical guidelines and criteria and indicators for sustainable management of tropical forests that help forest resources managers in pursuing the sustainability goals. Under these Guidelines, on providing procedures that should be followed in ESIA in the context of ITTO financed

projects. ITTO's ESIA Guidelines underpin the Organization's commitment to environmental and social sustainability. They will be applicable to 8 key working areas that span most of its field projects, and for which eight standards can be defined as follows:

ESS 1: Rehabilitation of degraded landscapes

ESS 2: Timber producing forests

ESS 3: Community-based natural resource management

ESS 4: Biodiversity conservation in timber producing forests

ESS 5: Watershed management areas and environmental services

ESS 6: Forest-based climate change mitigation and adaptation

ESS 7: Planted forests

ESS 8: Forest industries and trade.

38. The description of the standards and respective requirements is given in chapter 4. In continuation the processes for ESIA are described.

3.1 Environmental and Social Risks and Impacts assessment and management

39. ESIA is a useful tool for understanding and managing the impacts and risks of a field project. A good ESIA is carried out through scientific analysis and stakeholders involvement. The ESIA process helps an institution to identify the critical social and environmental issues associated with a project, and ensures that positive impacts are optimized and negative impacts are avoided, minimized, mitigated and managed. In addition, an effective ESIA process can improve stakeholders understanding of the whole project, increasing their ownership of its results, as well as increasing its sustainability. Integrating ESIA considerations as early as possible in the process of project design allows avoiding or minimizing at an early stage of project design any potential negative impacts to the environment and society as a result of the activities to be implemented.

40. Figure 1 provides an overview of the typical ESIA process stages. It shows that ESIA is not a linear process; several stages are carried out in parallel and the assumptions and conclusions are revisited and modified as the ESIA progresses. The main stages of the process, which are:

a) Screening for environmental and social risks identification and impact classification;
b) Scoping;
c) Environmental and social impact assessment;
d) ESIA report and environmental and social commitment plan (ESCP);
e) Disclosure of information and data to stakeholders;
f) Approval and implementation;
g) Monitoring and reporting.

3.2 Interaction with project design and proposal development

41. The interaction between the ESIA process, project design and decision-making process allows the ESIA to influence the project design. Figure 2 illustrates the interactions between impact assessment and other stages of ITTO project cycle. It should be emphasized that project planning continues throughout the assessment process in response to the identified impacts. The main ESIA stages and key sub-stages of some of them are briefly described in continuation.

3.3 Project screening for environmental and social risks identification and impact classification

42. Screening is the first step in the ESIA. It establishes the basis for scoping stage and confirms whether there is need or not for a full ESIA by appraising the project activities throughout the project life in the context of its biophysical, socio-economic, policy and regulatory environments. It allows determining whether a full ESIA is needed, or if a Rapid

Environmental and Social Assessment will be sufficient for the proposed project or if specialist studies are required.

43. **Identification of alternatives.** This may be a sub-stage of scoping stage. It assesses the reasonable alternatives to project activities with a potential to lead to adverse impacts and risks. It may include “no action” or “no project” alternative. The proponent should analyze alternatives and compare their feasibility, including the cost feasibility. Assessing alternatives may benefit from consultation with stakeholders who can have considerable knowledge of local context. It is important to be aware of the fact that the need for alternatives may be approached differently if the impact on receptor is temporary rather than permanent.

3.4 Stakeholders engagement and engagement planning

44. This stage of the process develops a preliminary assessment of the impacts likely to occur as a result of the proposed development, and which should be dealt with in the ESIA. The scoping phase must engage stakeholders to help identify issues. Their consultation allows ensuring that their views are taken into account throughout the ESIA process. The objective is to ensure that the assessment is robust and transparent, and has considered the full range of issues or perceptions, and to an appropriate level of detail. It must include the terms of reference for the specialist studies that will be required to address these issues in the ESIA.

45. A Stakeholder Engagement Plan (SEP) shall be established to outline and guide a project’s stakeholder engagement strategy. It describes:

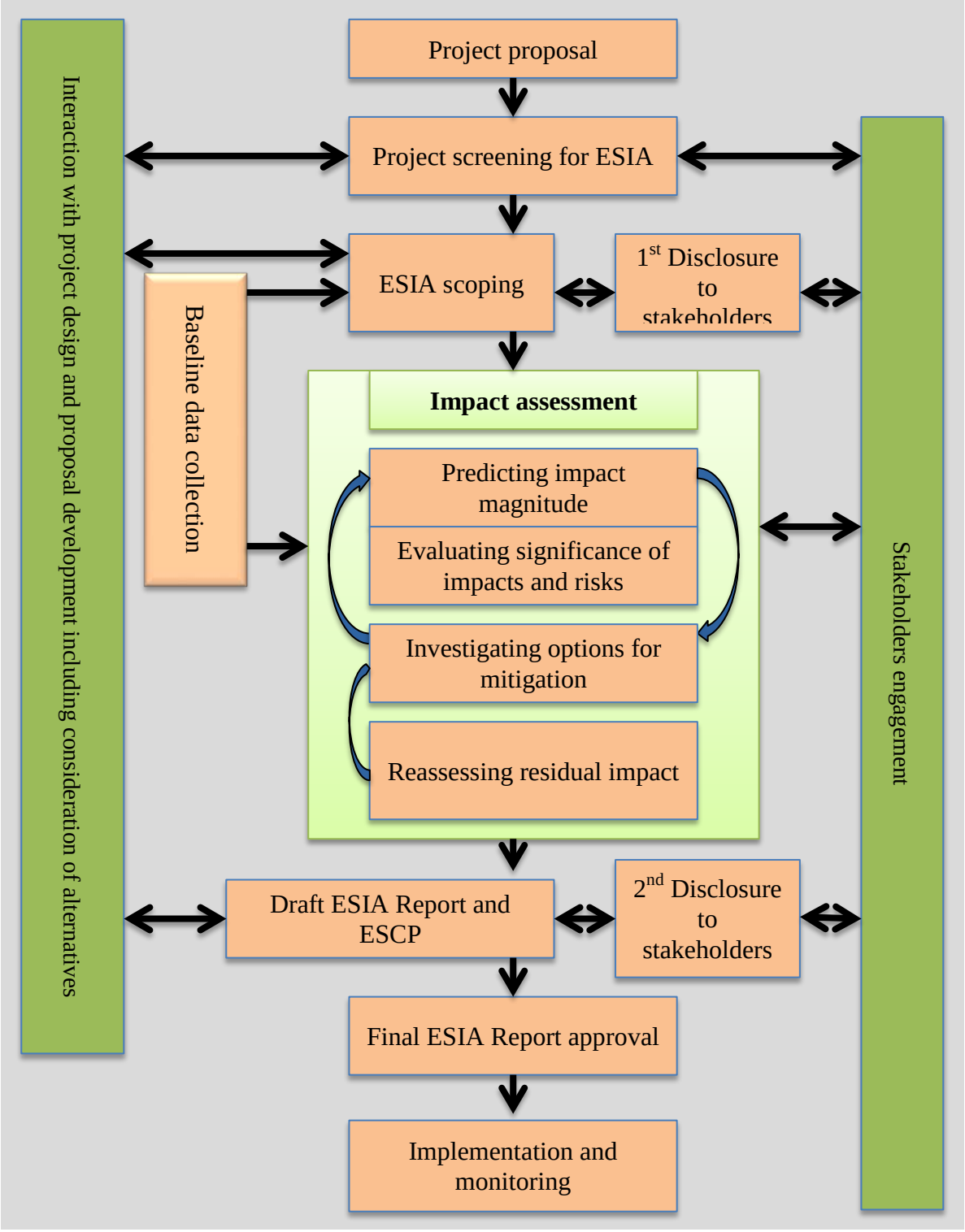
- The existing requirements for consultation and disclosure;
- Priority stakeholder groups;
- Strategy and timetable for sharing information with stakeholders;
- Responsibilities and cost for implementing stakeholder engagement activities;
- How stakeholder engagement activities will be included in the ESCP.

3.5 Scoping to identify potential sources of impact

46. Compliance with ITTO’s ESIA Standards requires scoping and full disclosure of the Scoping Report. Scoping is a high level assessment of anticipated interactions between project activities and environmental and social receptors. A receptor is a location (e.g. a community, community group, habitat, species, watercourse) that may be adversely affected by a specific impact of the project. Scoping identifies key activities with the potential to cause or contribute to potentially significant impacts to physical, biophysical and social environment. This involves eliminating certain activities from the full impact assessment process based on their limited potential to result in discernable impacts. The exercise allows to:

- Identify the potentially most significant impacts;
- Obtain stakeholders views on those potential impacts;
- Review relevant policy, legal and administrative frameworks management system, relevant national and international legislation and guidelines
- Identify and confirm the stakeholders
- Initiate consultation with the stakeholders, identify and document their key concerns and obtain their agreement on the key issues to be addressed;
- Identify data gaps and necessary work to fill these gaps with stakeholders collaboration
- Where appropriate, identify potential mitigation measures for further analysis
- Establish the work plan and Terms of Reference for the remainder of the ESIA process, through consultation ensuring that the ESIA process and respective recommendations are focused on the key issues.

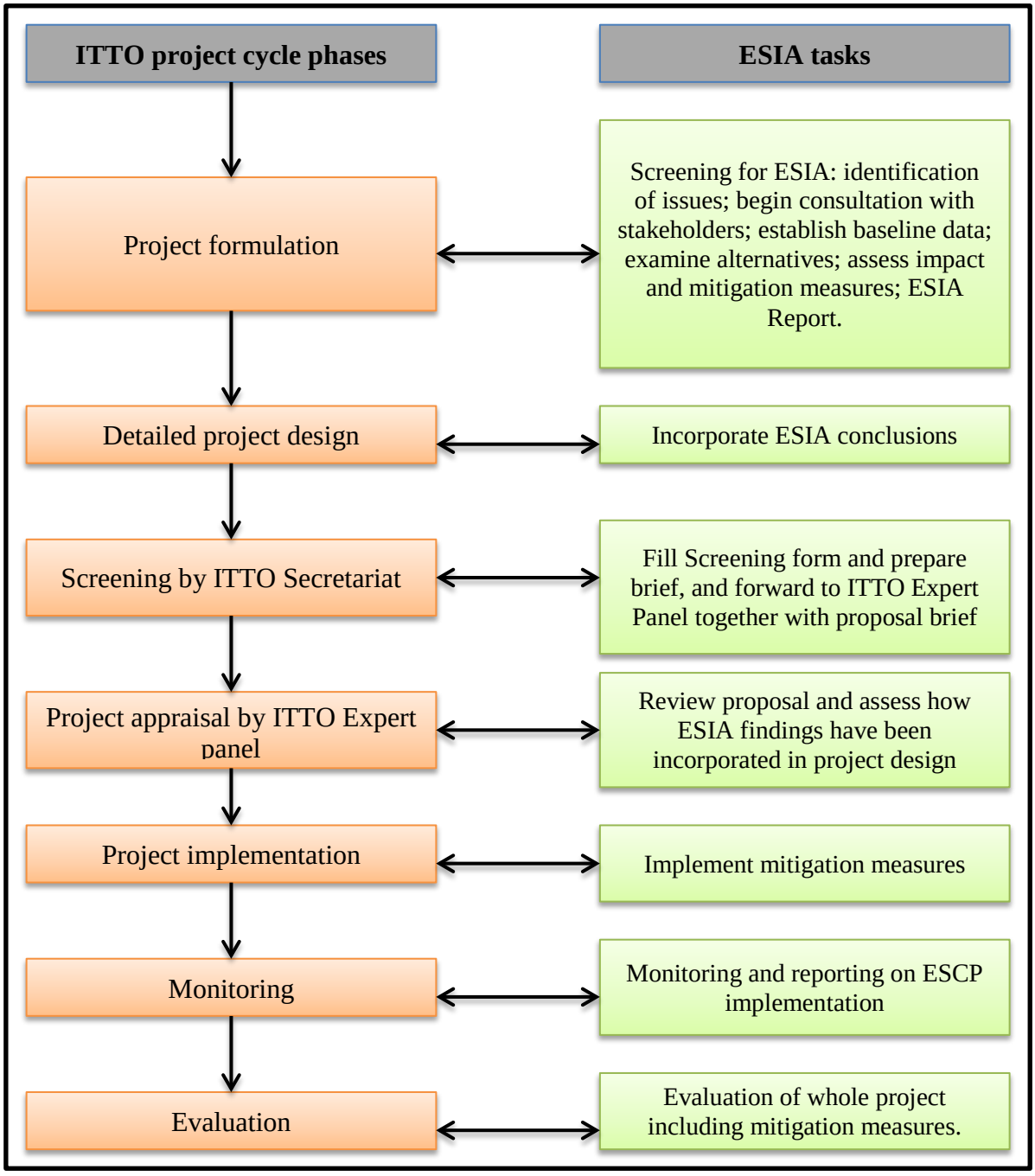
Figure 1: Overview of the ITTO ESIA process stages



47. One of the following five conclusions from the scoping process can be drawn:

- No ESIA is required;
- Full ESIA is required;
- A limited ESIA is required;
- A further study is necessary to determine the level of ESIA required.
- The proponent may decide not to proceed with the project formulation.

Figure 2: Interactions between risk and impact assessment and other stages of ITTO project cycle



48. To arrive at a conclusion to 'scope out' an activity, the expert judgment based on prior experience of similar activities can be used.

49. Based on the experience of its HQs projects staff, ITTO may ask the proponent to conduct an ESIA taking into account applicable principles in chapter 2 of these Guidelines, ITTO standards, other relevant international standards, and national legislation.

(a) Baseline establishment.

50. A good understanding of the baseline information is the key to understand the nature and significance of Project impacts and risks, and in feeding back to project design. ITTO requires the proponent to start establishing a baseline during the scoping phase. This can be done by literature reviews, or collecting data on the physical, biophysical and social environment in order to allow understanding what resources or values have the potential to

be significantly affected by the intended project. This requires describing the baseline conditions that have been used to assess the environmental and social impacts, in a way that allows to:

- Identify the conditions in areas and/or communities potentially affected by the intended project;
- Extrapolation the current situation and develop future scenarios without the project;
- Predict and evaluate of potential impacts of the intended project;
- Understand stakeholder concerns, perceptions and expectations regarding the proposed Project;
- Develop appropriate mitigation measures later in the ESIA process; and
- Provide a benchmark to assess future changes and to assess the effectiveness of mitigation measures.

(b) First disclosure to stakeholders

51. The objective of the ESIA scoping disclosure process is to allow stakeholders to provide feedback on the project. This allows stakeholders to address their comments and suggestions in writing to ESIA specialists and/or to propone after the scoping disclosure meeting has taken place. For the scoping stage, ITTO requires the proponent to organize a first disclosure of relevant project information to engage stakeholders who are likely to be affected by adverse environmental or social impacts from the project activities, and to understand the project's risks and impacts. The following information will be provided:

- The purpose, nature, objectives and scale of the project;
- The duration of proposed project activities;
- Risks and potential adverse environmental and social impacts, for example with regard to community health, land use changes, expropriation, resettlement;
- Planning and venue of subsequent related meetings, including the second disclosure on ESIA information and data.

52. The proponent will ensure that access to information is enabled to stakeholders early enough before the start of the full ESIA process. The disclosure shall be made in the relevant local languages and in a manner that is accessible.

3.6 Assessment and management of social and environmental risks and impacts

53. The ESIA conducted in the ITTO's work context shall be in accordance with the present Guidelines. It has to follow a systematic process of predicting and evaluating the impacts that the project is expected to have on the physical, natural, cultural, social and socio-economic environment, and to identify measures that the proponent shall take to avoid, reduce, remedy, offset or compensate for adverse impacts, and to provide benefits. The overall approach to be used is shown in Figure 1.

54. The assessment of impacts is an iterative process. It addresses four aspects: impact prediction, impact evaluation, impact mitigation (including residual impact mitigation). With regard to these aspects, ESIA responds to the following questions:

- What will happen to the environment and people as a consequence of the potential impacts and risks associated to the Project?
- Do potential risks and impacts matter? How significant are they?
- If the impacts are significant can anything be done to avoid or to mitigate them?
- Will there still be significant residual risks/impacts/risks?

(a) Predicting impact magnitude

55. ESIA is a process that combines impact magnitude and receptor sensitivity to determine impact significance and to classify risk. Based on the baseline situation, it describes what will be affected by project activities by predicting the magnitude of impacts (both positive and negative) and quantifying these to the extent practicable. The term 'magnitude' is used as shorthand to encompass all the dimensions of the predicted environmental and/or social impact including:

- The nature of the change (what is affected and how);
- Its size, scale or intensity;
- Its geographical extent and distribution;
- Its duration, frequency, reversibility.

56. With regard to human receptors, such as communities or community groups, the assessment of the magnitude of impacts takes into account their likely response to the change and their ability to adapt to and manage the impact and risks.

57. A grading of the magnitude of impacts must be provided taking into account all the relevant variables noted above. The following scale can be used:

- Negligible;
- Small;
- Medium; and
- Large.

(b) Evaluating significance of effects

58. An impact is significant if, in isolation or in combination with other impacts, it should, in the judgment of the ESIA experts, be reported in the ESIA report so that others can take it into account in making decisions on the project. The impact magnitude as described above can be considered with the resource/receptor sensitivity/vulnerability/importance in order to assign the significance of impact. The most used sensitivity/vulnerability/importance designations are:

- Low;
- Medium; and
- High.

59. The evaluation of impacts presented in the ESIA Report is based on the judgment of the ESIA team, informed for example by reference to legal standards, national policy, current international good practices and the views of stakeholders. The criteria for assessing the significance of impacts depend on the nature of issues and types of impact. They take into account whether the project activities will:

- Cause any legal or accepted environmental standards to be exceeded (e.g. air, water or soil quality, noise levels) or increase the likelihood of exceeding those standards;
- Adversely affect protected values or ecosystemic functions or features, such as nature conservation areas, protected fauna and flora, protected landscapes, historic features, water catchment areas, downstream communities livelihoods, etc.
- Conflict with established government policy e.g. to reduce CO2 and NOx emissions, recycle waste, protect human rights.
- Have beneficial effects on social, economic environment, e.g. creating jobs, benefiting the local community and economy.

60. Once the magnitude of impact and the sensitivity/vulnerability/importance of resource/receptor have been characterized, the significance for each impact can be designated using the matrix shown in Table 1. The different ratings of impact significance are interpreted as follows:

- Impact of ***negligible*** significance: is one where a resource/receptor (including people) will not be affected in any way by a particular project activity.
- Impact of ***minor*** significance: is one where a resource/receptor will experience a noticeable effect, but the impact magnitude is sufficiently small (with or without mitigation) and/or the resource/receptor is of low sensitivity/ vulnerability/ importance.
- Impact of ***moderate*** significance: is one that has an impact magnitude that is within applicable standards, but falls somewhere in the range from a threshold below which the impact is minor, up to a level that might be just short of breaching a legal limit.
- Impact of ***major*** significance: is one where an accepted limit or standard may be exceeded, or large magnitude impacts occur to highly valued/sensitive

resource/receptors.

61. Impacts of negligible or minor significance are considered as being mitigated and do not require further mitigation.

Table 1. Impact significance

Magnitude of impact	Sensitivity/Vulnerability/Importance of Resource/Receptor		
	Low	**Medium**	**High**
Negligible	Negligible	Negligible	Negligible
Small	Negligible	Minor	Moderate
Medium	Minor	Moderate	Major
Large	Moderate	Major	Major

62. The above categorization is based on studies allowing to evaluate both the magnitude of impact and the sensitivity/vulnerability/importance of resource/receptor. However, for most ITTO projects screening does not necessarily require full ESIA studies, and can be carried out on the basis of simplified guidance using checklists. This can be done quickly by experts with ESIA experience, based on the information which is readily available about the project and its environment. To this end, ITTO uses the preliminary project categorization approach summarized in the Box. The examples of projects and activities are given for each category in Annex 2 and the checklist with questions to be used for screening is given in Annex 3.

(c) Investigating options for mitigation.

63. In developing mitigation measures and actions, the first focus should be on those that will prevent or minimize impacts through the design and management of the project rather than on compensation measures. This is an example of approaches of using mitigation through design changes in order to develop the project in the most environmentally and socially sustainable way:

- Avoiding or reducing at source through the design of the project; example for project involving timber harvesting, adopt RIL to reduce river silting, or avoiding by siting polluting forest industry in sensitive urban area, or changing the time of noise activities.
- Abate on site, through an addition in project design to abate the impact; example recycling sawmilling waste to produce energy, or installing pollution control equipment.
- Abate at receptor through control measures that can be implemented off-site if an impact cannot be abated on-site; for example re-routing log transport trucks to avoid passing through cities.
- Envisage repair or restoration measures for impacts that may involve unavoidable damage to a resource (e.g. log yards in the forest).
- Where other mitigation approaches are not possible or fully effective, then compensation for loss, damage and disturbance might be appropriate (e.g. financial compensation for degrading agricultural land and impacting crop yields).

(d) Residual impacts.

64. Complete mitigation of an impact cannot always be achieved. Residual impacts are expected to remain after mitigation measures have been applied, and may need appropriate consideration. A residual impact is the impact that is predicted to remain once mitigation measures have been designed into the intended activity. The ESIA assesses the residual impacts of significance and presents mitigation measures. Where significant residual impacts or risks remain, other options for mitigation may be considered for implementation if they are technically and financially feasible for the project. Proponents should be aware of the fact

that compensation to communities, groups or individuals with residual impacts to livelihoods will generally be non-financial and will focus on restoring livelihoods.

Box: Description of ITTO preliminary Project Categories for ESIA Screening

Category A: Proposal that is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. A potential impact is considered "sensitive" if it may be irreversible (e.g., lead to loss of a major natural habitat) or affect vulnerable groups or ethnic minorities, involve involuntary displacement or resettlement, or affect significant cultural heritage sites. A full ESIA is required for a Category A proposals. It examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including, the "without project" situation), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance.

Category B: Proposal that has potential adverse environmental impacts on human populations or environmentally important areas-including wetlands, forests, grasslands, and other natural habitats, but which are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects. The scope of ESIA for a Category B project is narrower than that of Category A ESIA. Like Category A ESIA, it examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental and social performance.

Category C: Proposal that is likely to have minimal or no adverse environmental or social impacts. Beyond screening, no further ESIA action is required for a Category C project.

In case full ESIA studies are conducted, potential impacts and risks will be first classified using Table 1 scheme. Decision on categorization will be as follows: (i) Impact and risks of Major significance will be Category A; (ii) Impact and risks of Moderate significance will be Category B; (iii) Impact and risks of Minor or Negligible significance will be Category C.

3.7 ESIA report and ESCP

(a) ESIA Report

65. The ESIA Report shall provide the background to the intended project as well as an assessment of its likely environmental and social impacts, both adverse and beneficial. Proposed mitigation measures against adverse impacts and, where applicable, enhancement measures for beneficial effects shall be outlined together with an initial costs estimate and description of the responsibilities for their implementation.

66. The indicative contents of ESIA Report are presented in Annex 5. The main headings are:

- Scoping;
- Stakeholder engagement;
- Baseline data collection;
- Overall project description;
- Assessment of impacts and identification of mitigation measures;
- ESCP
- Reporting and disclosure.

(b) Environmental and Social Commitment Plan (ESCP).

67. ESCP forms part of the ESIA and sets out the measures required to maximize the benefits of the project, avoid, minimize, mitigate or offset (in the case of environment) or remedy (in the case of social impacts) any adverse environmental and social impacts. The ESCP is expected to:

- Prevent the negative impacts that could be avoided;
- Mitigate the negative impacts that could not be avoided but could be reduced;
- Compensate/remedy the negative impacts that could neither be avoided nor reduced;
- Enhance positive impacts.

68. For moderate and high-risk projects submitted by members to ITTO, an ESCP shall be developed and based on the findings of the ESIA and the outcomes of the consultation with affected communities, community groups, individuals or other relevant stakeholders. The ESCP shall describe the measures for mitigation of environmental and social impacts and risks, the performance improvement as well as the opportunities. The level of detail of the ESCP and the priority of the identified measures and actions shall be commensurate with the nature and magnitude of project's risks and impacts.

69. The proponent will address all compensatory and remedial measures in the ESCP. This implies that differentiated measures will be included so that adverse impacts do not fall disproportionately on stakeholders who were identified as disadvantaged, marginalized or vulnerable during the ESIA process. Where appropriate, the ESCP will also address the opportunities to achieve additional environmental and social benefits of the project. This may include for example community social, cultural and economic development programs. However, it must be noted that any positive contributions are made in addition to impact management and do not offset any identified social and human rights impacts.

70. The minimum contents of ESCP shall be as follows:

(1) Introduction
(2) Summary of Potential Impacts.
(3) Description of Planned Mitigation Measures
(4) Description of Planned Environmental and Social Monitoring
(5) Description of Public Consultation Process
(6) Description of the Responsibilities and Authorities for Implementation of Mitigation Measures
(7) Description of Responsibilities for Reporting and Review
(8) Work Plan and Staffing chart
(9) Cost estimates, sources of funding, and adequate institutional, monitoring reporting and accountability arrangements.

3.8 Second disclosure of information to stakeholders and grievance mechanism

(a) Second disclosure of information to stakeholders

71. The second disclosure of project and ESIA information will further enable stakeholders who are likely to be affected by adverse environmental or social impacts from the project, to understand the project's risks and impacts, but also the opportunities that may be available. The proponent shall provide stakeholders with expanded information and data, and this shall be done in appropriate and timely manner. The following information will be provided:

- The purpose nature, objectives and scale of the project;
- The duration of proposed project activities;
- Risks and potential adverse environmental and social impacts, for example with regard to community health, land use changes, expropriation, resettlement;
- Mitigation plans;
- Grievance mechanisms;
- Planning and venue of any related meetings;

The second disclosure shall be made in the relevant local languages and in a manner that is timely and accessible. The proponent will ensure that access to information and data shall be maintained throughout the life of the project.

(b) Grievance mechanism for affected stakeholders

72. A grievance is an actual or perceived problem giving ground for complaint. The Grievance Mechanism is the process by which people affected by the project's activities can bring their comments, concerns and grievances to the Project Management Team. Proponents intending to submit proposal to ITTO shall seek to minimize grievances through designing to manage project impacts and through community liaison activities designed to anticipate and address potential issues before they become grievances. In the case that community groups or individual members, or other stakeholders do have a grievance about the proposed project or the project under implementation, proponents shall develop a Grievance Mechanism whose purpose is to ensure that anyone with a concern about the project can voice it and get a response. Such a Mechanism shall:

- Address concerns promptly;
- Use an understandable and transparent process that is culturally appropriate and readily accessible to the affected groups, at no cost and without retribution;
- Guarantee confidentiality;
- Take gender into account as men and women may not only communicate their grievances differently but may also have different types of grievances;
- Specify the time frames in which grievances should be resolved.

3.9 ESIA Report approval

73. After receiving the ESIA Report, ITTO Secretariat will conduct a final review of the document. If the ESIA process and Report meet the conditions of the present Guidelines and the proponent's country laws and regulations for that kind of project, the proponent shall be notified and may proceed with the project. If the report does not fulfill ITTO's requirements, either of the two things can be done:

- The proponent will be asked to do some further investigations on specified aspects. An independent environmental consultant can be contracted (at proponent's cost) to do this additional work.
- If the ESIA reveals major adverse impacts, which cannot be mitigated, the project may be rejected.

74. If the ESIA report has been approved, the ESCP along with conditions of approval shall be included in the project documents as a legal requirement.

3.10 Monitoring and reporting

75. The monitoring part of the ESCP is designed to determine the efficiency and effectiveness of mitigation measures and to verify predictions made at the ESIA stage. A monitoring system shall be setup in a way that allows determining whether mitigation measures are working as expected and have been implemented in accordance with the planned schedule. If the measures are not giving satisfaction, the proponent shall consider corrective measures.

76. Monitoring may include both "Baseline monitoring" and "compliance monitoring". For both environmental and social impact systems, baseline monitoring is carried out, for example, periodically to quantify ranges of natural variation or directions and rates of change that are relevant to impact prediction and mitigation. Compliance monitoring aims to check that specific regulatory standards and conditions are met (e.g. in relation to pollution emissions).

4. ENVIRONMENTAL AND SOCIAL REQUIREMENTS

Eight standards (ESS) were listed under Chapter 3 above. Chapter 4 sets out specific requirements relating to social and environmental issues under each standard. Projects submitted to by ITTO by its members for funding must meet the corresponding standards and respective requirements, in addition to conformity with the principles defined under Chapter 2.

4.1 ESS 1: Rehabilitation of degraded forest landscapes

4.1.1 Introduction

77. Forest degradation is damage to the chemical, biological and/or physical structure of a soil (soil degradation) and to the forest itself (forest degradation), as a result of incorrect use or management, and which, if not ameliorated, will reduce or destroy the production potential of a forest ecosystem (in perpetuity) (Nieuwenhuis[2], 2000). Degraded forests have severe social-economic and environmental impacts. Deforestation and forest degradation contribute to the loss of biodiversity, global warming, and of livelihoods of local communities. Some 350 million hectares of tropical forest land have been so severely damaged that forests won't grow back spontaneously, while a further 500 million hectares have forest cover that is either degraded or has regrown after initial deforestation (ITTO[3], 2002).

78. The objectives of rehabilitation of degraded forests may include restoring natural ecosystems, watershed management, enhancing carbon stocks, restoring timber and NTFPs production potential, preventing soil erosion, restoring scenic beauty, etc. These objectives may be conflicting, which requires consensus among stakeholders.

79. Using conventional approaches of reforestation for rehabilitation may not deliver the multiple values of forests such as addressing the needs of all interest groups. The ITTO Guidelines for the restoration, management and rehabilitation of degraded and secondary forests have been formulated to help communities realize that potential. Most of the 49 principles and 160 recommended actions are relevant to all forest types in tropical countries. ESS 1 is consistent with the ITTO Guidelines on restoration and rehabilitation of degraded lands. It focuses on the safeguards to minimize/mitigate the impacts of factors that may cause further damage to degraded forests, but also on measures to enhance the environmental and social services of rehabilitated forests.

4.1.2 Objective of ESS 1

80. The objective of ESS 1 is to ensure that projects submitted to ITTO by members contain provisions allowing to avoid the risk that the proposed interventions of rehabilitation of degraded forests aggravate environmental degradation or worsen social conditions of local population whose livelihoods depend on those forests.

4.1.3 Scope of application

81. ESS 1 is about committing ITTO not support any project that may cause significant environmental or social harm in interventions aimed at rehabilitating degraded forests. It also gives guidance to proponents on how to enhance environmental and social services of degraded forest resources.

4.1.4 Requirements

82. **Using relevant ITTO Guidelines.** Proponents of projects for rehabilitation of degraded projects should make use of ITTO's relevant guidelines, namely "ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests".

83. **Social aspects are important for long-term success of rehabilitation interventions.** The realties of poor rural communities living in degraded forests, and the networks of informal use rights often characterize the relationship between people and forests, particularly among ethnic minorities dwelling in forest areas. Where there is lack of clarity of tenure and use rights, the proponents of rehabilitation projects to be submitted to ITTO should plan for viable alternatives that communities concerned can accept with confidence.

84. **Involving local communities in project design process.** To ensure the long-term sustainability of the project results and to create a sense of ownership of project results by

[2] Nieuwenhuis, M. 2000. Terminology of forest management. IUFRO World Series Volume 9. IUFRO 4.04.07, International Union of Forestry Research Organizations, Vienna, Austria.

[3] See: "ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests".

the local communities, the project proponents should involve them from the very beginning. This implies participatory land use planning with the communities, provision of employment to local people, and use of species or management of habitats that are a source of timber and non-timber forest products that can contribute to household income.

85. **Maintaining existing biodiversity and ecosystem functions.** Project proponents should include in the proposals provisions to ensure that the degraded forest rehabilitation projects will maintain or enhance biodiversity and ecosystem functions.

86. **Avoid interventions that may cause involuntary resettlements**. Relocations of populations or the restriction of their access to resources due to project interventions can have negative impacts on rural communities. Proponents of rehabilitation projects should avoid relocations as the best scenario. If resettlement is unavoidable, they should plan to minimize and mitigate its negative impacts or identify and support adequate alternatives.

87. **Compensating negatively affected communities and persons**. Communities that are negatively affected by projects for rehabilitation of degraded forests should be adequately compensated and their livelihood needs integrated into the project in order to ensure its long-term success.

88. **Support local organizations.** For community-based rehabilitation interventions, support to local organizations to carry out the management operations is essential. Where effective local organizations are not established, the proponent could envisage assisting beneficiaries to establish such organizational arrangements before the start of rehabilitation activities.

89. **Foster the degraded forest rehabilitation practices that are socially acceptable and economically feasible.** The proponents should recognize the importance of traditional forest uses for people living in and around degraded forests, on which they have a close dependence and have deep knowledge of their functions and wealth, and a vested interest in their sustainable use.

4.2 ESS 2: Managing tropical-timber producing forests

4.2.1 Introduction

90. Harvesting operations in tropical timber producing forests imply opening road infrastructure that is needed to extract the timber, causing damage to standing stock and natural regeneration by tree felling, and affecting biodiversity in many ways. The particular impacts of road construction, transport to sawmills, accommodation of forest workers, etc. are described by Arets and Veeneklaas (2014). ITTO's "Voluntary guidelines for the sustainable management of natural tropical forests" contains detailed elements that can guide forest operations to avoid this kind of impacts. ESS 2 is consistent with these Guidelines as it fits well in the SFM continuum that starts from project identification and continues to forest management planning, and management plan implementation.. It focuses on the steps and actions necessary to avoid the risks of adverse impact that may be caused by unsustainable management of tropical timber producing forests. Underpinning these steps and actions are two principles that, (i) based on an appropriate risk assessment, SFM requirements should be met at each relevant stage of the ESIA process, and (ii) complying with SFM principles allows managing the forests in a way that avoids or minimizes the adverse environmental and social risks and impacts not only in the long-term perspective, but also in the short and medium term to avoid or minimize more immediate impacts.

4.2.2 Objectives of ESS 2

91. The objectives of ESS 2 are (i) to provide minimum requirements of sustainable forest management relevant to tropical timber producing forests that allow to avoid negative environmental and social impacts that may result from excessive timber harvesting and unsustainable forest management; (ii) to provide a basis for assessing proposals submitted to ITTO by its Members for funding tropical forest management interventions to be carried out in the context of tropical timber producing forests.

4.2.3 Scope of application

92. ESS 2 is applicable to planning and management of tropical timber producing forests within the wider landscape and land-use context, and to timber harvesting operations and forest management activities conducted in those forests.

4.2.4 Requirements

93. **General requirements**. Project proponents are encouraged to ensure that the following general requirements are met:

- Compliance with relevant national laws and regulations in forest, environmental, social, labor, and human rights dimensions;
- Adoption of principles and techniques tailored to the risks associated with the nature of the project;
- Analysis of environmental, social and climate risks;
- Provisions for continual improvement in SFM performance.

94. **Stakeholder identification and analysis.** Mapping the different groups of stakeholders creates the basis for identifying those who have human rights entitlements related to the project, as well as for identifying the entities accountable for these entitlements. It is also a valuable exercise for distinguishing between rights and interests in an operation and ensuring respect for the former, given they constitute a primary responsibility for the proponent. Such analysis will help identify all individuals and communities who will be impacted by project activities, and the rights which they hold. The proponents are encouraged to clearly show in the proposals which entity has the obligation and responsibility to ensure that these rights are upheld, and that all project stakeholders, especially those who may be disproportionately affected by the project's activities because of their vulnerable status are identified.

95. **Stakeholders consultation and participation.** The proposal submitted to ITTO should provide evidence that stakeholders have meaningfully been engaged in consultation process in the project identification stage. In conformity with the principles of participation, non-discrimination and transparency, the proponent will provide vulnerable groups as early as possible with all the relevant information about the project (including an assessment of potential adverse effects and projected benefits from the project). Through formal and informal consultations, the proponent should involve local communities and organizations in the participatory monitoring and evaluation of the project's operations.

96. **Stakeholder engagement.** For projects with significant environmental and social risks and impacts, the proponent should engage the identified affected individuals, communities and other relevant stakeholders in a preliminary scoping process to ensure the identification of key issues of attention in the Environmental and Social Impact Assessment process. To this end, the proponent should plan information exchange with all identified stakeholder groups at the very outset of the project and at subsequent key decision-making points in the project cycle.

97. **SFM performance requirements.** SFM performance is about the assessable results as measured by the level of achievement of the targets set in specific references, such as ITTO Criteria and Indicators, ATO/ITTO principles, criteria and indicators for the sustainable management of African natural tropical forests, and national sector-specific requirements. In this regard, the project should comply with national/local sector-specific SFM performance targets relating to tropical timber producing forests. The proponents are also encouraged to assess the impacts of climate change and climate variability on tropical timber producing forests and evaluate the risks.

98. **Reduced impact logging (RIL).** Logging operations are usually the most intensive and potentially most damaging forest operations. They can also have a very significant impact on the forest resources and surrounding ecosystems, and to forest-dwelling people. Good management systems must therefore be combined with care for people and the environment. Proponents of projects with timber harvesting activities are encouraged to consider applying RIL techniques in order to minimize mechanical disturbances to forest soils that may be

caused by harvesting operations**.** They should show how effective will be the soil and water management measures aimed at maintaining the productivity and health of tropical timber producing forests and at ensuring their hydrological regulation functions.

4.3 ESS 3: Community-based natural resource management

4.3.1 Introduction

99. Natural resources are the foundation from which the rural poor people and forest dwelling communities can overcome poverty. For these populations, overcoming poverty means also protection from the risks of negative impacts on their resources and impacts that development projects may cause, particularly those which would reduce their income-generating capacities or decrease their livelihoods opportunities.

100. It is often believed that projects focusing Community-based natural resources management (CBNRM) can allow to avoid negative social impacts to local communities who depend on natural resources. CNRNM is a shift from the predominantly centralized natural resource management towards more devolved models. CBNRM models work to strengthen locally accountable institutions for natural resource use and management, empower local communities or groups within communities, to make better decisions about the use of natural resources. It involves the transfer of decision-making and management competences to local communities for the management of natural resources, including of resources such as tropical timber producing forests, wildlife, etc. It has therefore great potential of involving local communities in the management of natural resources and of ensuring that this involvement provides them with benefits from those resources.

101. One of the conditions for the success of the implementation of CBNRM strategy is the existence of enabling land and natural resources laws, which establish that communities can have access to land through land delimitation process and acquisition of use certificate. Based on the potential of and the constraints on CBRNM strategy implementation, ESS 3 provides minimum requirements that would allow avoiding, minimizing and mitigating adverse environmental and social impacts that may result from that implementation.

4.3.2 Objective of ESS 3

102. The objective of ESS 3 is to anticipate and avoid the risks of: (i) conflicting land uses as far as conservation, sustainable resource management, forest harvesting and other objectives are concerned; (ii) degradation in the livelihoods of those who live with, and are managing, the natural resources.

4.3.3 Scope of application

103. The requirements of ESS 3 apply to CBNRM and joint forest management projects that may pose significant environmental and social risks. The applicability of this standard is established during the screening process.

4.3.4 Requirements

104. **Addressing community weaknesses for management**. Often communities lack necessary skills and capital to develop their resources and link to markets. The situation may be aggravated by unequal community-private sector partnerships. The proponents of CBNRM projects should plan the establishment of transparent, equitable and equal partnerships between the community and the private sector in order to ensure success of the resource-based business.

105. **Ecological status of the resources**: CBNRM strategy does not give the same success in all conditions. CBNRM projects proponents should study carefully if in their contexts the conditions for success are fulfilled. Experience has shown that this strategy works best in those environments that are relatively intact and provide opportunities for generating substantial financial incentives. It may also work well where natural resources are severely degraded and people are poor, because there might be sufficient incentives to change the way resources are managed.

106. **On economic incentives.** To ensure success of CBNRM projects, proponents should include in the proposals measures to ensure economic incentives to the stakeholders. Such measures could be cash dividends paid by community associations to their members, or indirect benefits from the forests such as timber households needs.

4.4 ESS 4: Biodiversity conservation in timber producing forests

4.4.1 Introduction

107. Timber producing forests can be valuable for biodiversity with appropriate protection and management. They should be managed in a way that conserves or enhances biodiversity, and opportunities for enhancing biodiversity should be considered in forest management plans. Where timber-producing forests fall short of the "ITTO/IUCN Guidelines for the Conservation and sustainable use of biodiversity in tropical timber production forests", improvements should be made when suitable management opportunities arise. Timber concessions adjacent to biodiversity conservation areas need to consider the impacts of logging and management operations beyond their boundaries and engage with relevant parties if the conservation and enhancement of biodiversity is to be achieved. ESS4 is about considering in proposals submitted to ITTO by members, the implications of logging and management operations for biodiversity in the wider landscape, including the roles of forest habitats and open habitats in ecological connectivity.

4.4.2 Objective of ESS 4

108. The objective of ESS 4 is for ITTO to ensure that proponents of projects in relation to management of tropical timber producing forests commit themselves to maintaining or enhancing biodiversity in accordance with the relevant Organization's Guidelines.

4.4.3 Scope of application

109. ESS 4 applies to all projects submitted to ITTO for funding of interventions relating to tropical timber production forests or to protected areas such as Transboundary Biodiversity Conservation Areas (TBCAs). The applicability of the requirements of this standard is established during the social and environmental screening and categorization.

4.4.4 Requirements

110. **Identifying biodiversity conservation objectives.** Project proponents should identify clearly and explicitly biodiversity conservation objectives for the targeted area. These objectives should recognize and reflect the biodiversity values and possible tradeoffs amongst key stakeholders, including local communities.

111. **Applying landscape approaches**. As project activities and local land use choices interact with and impact upon biodiversity conservation, proponents should consider applying landscape approaches to ensure that off-site and upstream-downstream impacts are monitored and managed in order to keep them within acceptable environmental and social levels.

112. **Mitigation of human-wildlife conflicts**. Project proponents should consider including in the proposals provisions to reduce the risks and mitigate the impacts of human-wildlife conflicts that might arise from logging activities.

113. **Avoiding adverse impacts to habitats**. Planned project interventions should not cause adverse impacts such as modified habitats, fragmentation, habitat loss, and change in hydrological system. ITTO will not finance projects that cause such impacts.

114. **Avoiding adverse impacts to critical habitats or environmentally sensitive areas**. Project interventions should not cause adverse impacts to critical habitats or environmentally sensitive areas such as protected areas, national parks, planned protected areas, areas inhabited by indigenous people or local communities. ITTO will not finance projects that cause such impacts.

115. **Risk to endangered species and risks to introducing invasive alien species**. Planned project activities should not pose risks to endangered species or risks of introducing invasive alien species. ITTO will not finance projects that pose such risks.

116. **On development of secondary or consequential development activities.** Proponents should ascertain whether the project will not result in secondary or consequential activities which could lead to adverse social and environmental effects, or could generate cumulative impacts with other existing or planned activities in the area. The examples are new roads through forested lands which may generate direct environmental and social impacts, facilitate encroachment on lands by illegal settlers or generate unplanned commercial development in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered.

4.5 ESS 5: Watershed management areas

4.5.1 Introduction

117. Watershed management is an essential element of sustainable forest management. It is a pathway for safeguarding ecosystem services and biodiversity. As the application of land resource management systems, it is considered to be the most appropriate approach to ensuring the preservation, conservation and sustainability of all land-based resources and improving the living conditions of people in the uplands and lowlands[4]. It involves managing the land and human resources of the drainage in a manner that conserves soil, maintains or improves water yield, and sustains adequate levels food and fiber production. Hence integrated watershed management with participation of all the relevant key actors has become widely accepted as the approach best suited for sustainable management of renewable and non-renewable natural resources in upland areas. ESS 5 provides requirements that can allow meeting the objective of sustainable watershed management.

4.5.2 Objective

118. The objective of ESS 5 is to provide minimum requirements for effective watershed management projects submitted by ITTO members for funding. The requirements are aimed at anticipating and avoiding the risks of adverse environmental and social impacts both in upstream and downstream zones.

4.5.3 Scope of application

119. ESS 5 applies to all projects submitted to ITTO for funding interventions in watershed management or components of watershed management in other types of projects, such those relating to management of timber production forests or rehabilitation of degraded forests.

4.5.4 Requirements

120. **Identification of key watershed actors.** Watershed management requires the involvement of a wide range of stakeholders in both planning and implementation, particularly where watershed rehabilitation is the objective. Proponents should ensure that all the groups of actors have been identified and are informed of planned initiatives.

121. **Protection of human health and the environment.** Proponents should describe in the proposal plans to ensure maintenance or improvement of water quality and water flow as they apply to protection of human health and environment.

122. **Addressing gender issues in the watershed environment.** Gender issues are a part of watershed management projects, and promoting the involvement of men and women in implementing watershed activities is essential for project effectiveness. Proponents should include in the proposals the relevant components targeting women.

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[4] Tennyson, Larry (2005). Review and assessment of watershed management strategies and approaches. In FAO (2005). Preparing for the next generation of watershed management programmes and projects – Africa. Proceedings of the African Regional Workshop Nairobi, Kenya 8-10 October 2003. ftp://ftp.fao.org/docrep/fao/009/a0270e/A0270E03.pdf.

123. **Clarifying the critical role of access and use rights of watershed resources.** Local communities and forest dwelling communities interact with the natural resources in the watershed for various purposes, and the common property resources play an important role in their lives, whether they are grazing lands or common water sources and water-harvesting structures or forests. They have therefore a stake in maintaining these resources and proponents should carefully study not only their role but also their rights of access to watershed resources.

124. **Ensure equitable sharing of benefits and costs.** Proponents should develop in the proposals approaches for promoting the equitable sharing of costs and benefits between resource-poor people and better-off community members, and between upstream and downstream users.

4.6 ESS 6: Forest-based climate change mitigation and adaptation

4.6.1 Introduction

125. The risks that climate change and variability pose to forests and trees, and its negative impacts are increasingly recognized. Article 1.1 of the UNFCCC states that climate change not only affects adversely the natural and managed ecosystems, but also has "significant deleterious effects" on the "operation of socio-economic systems or on human health and welfare." Therefore, parties shall not only consider climate change in economic and environmental terms, but also take climate change into account "in their relevant social [...] policies and actions" to minimize adverse effects of mitigation and adaptation projects on human societies and health (Article 4.1 (f)).

126. While forests can cushion against climate change, they are also vulnerable, and as forests are vulnerable, so will the forest-dependent social and economic systems that depend upon them. Thus, while pursuing the roles of forests and SFM in mitigating climate-based risks (including the role of SFM in disaster risk reduction), attention should also go to the vulnerabilities of the forests themselves. Braatz (2012) summarized the impacts of climate change on forests, which include decreased productivity and dieback of trees from drought and temperature stress, increased wind and water erosion, increased storm damage, increased frequency of forest fires, pest and disease outbreaks, landslides and avalanches, changes in ranges of forest plants and animals, inundation and flood damage, saltwater intrusion and sea level rise, and damage from coastal storms.

127. The “ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests” also describe how forests are affected biophysically by climate change. Over time, climate-related change could have significant impacts on the availability and quality of forest goods and ecosystem services and on the people who depend on natural tropical forests for their livelihoods. Forest managers should be aware of such impacts and take early measures to reduce the vulnerability of forests, to increase forest resilience and facilitate their adaptation to changing conditions. To this effect ITTO’s Guidelines defined Principle 3 “Forest Resilience, Ecosystem Health and Climate Change Adaptation” which provides guidance on how, among other things, to put in place preventative and remedial actions to reduce the vulnerability of forests to climate change.

128. The rapid development of REDD+ over the past five years suggests that there is a solid global forest policy interest for SFM. The crux is the capability to deliver substantial outcomes at the implementation level in the regions and the countries. The post 2015 UN forest process has a unique opportunity to incorporate REDD+ (and the evolving forest-NAMA concept) into its objectives and strategic programme. There is indeed urgency in this regard as recent UNFCCC decisions on REDD+ ask for creating special country-based entities for implementing REDD+. In individual countries, the challenge will be to partner established forest sector institutions in REDD+ activities and avoid their marginalization, as could happen in a number of cases.

129. ESS 6 adds to other ITTO tools to help its members integrate in their proposal measures that are relevant to climate-resilient objectives and to ensure that the projects will enhance climate resiliency and avoid increases in GHGs.

4.6.2 Objective of ESS 6

130. The objectives of ESS 6 are (i) to ensure that proposals submitted to ITTO contribute to regulating GHG missions from forests through SFM, REDD+ and other mitigation and adaptation measures; and (ii) to reduce and mitigate the impact of climate change on forests and social and economic systems with ESIA.

4.6.3 Scope of application

131. ESS 6 applies to all projects that may produce significant GHG emissions, have development results that may be threatened by climate change or those that may contribute to increased vulnerability of communities or forest ecosystems to climate change.

4.6.4 Requirements

132. **Supporting transparent, inclusive, and accountable forest governance**. If forest-based activities are to help in climate change mitigation and adaptation, project barriers to improved governance must be identified and processes established to empower the disenfranchised, including Indigenous Peoples. Such efforts should be supported with mitigation measures in consumer countries to promote the use of legally and sustainably produced forest products.

133. **Encouraging local processes to clarify and strengthen tenure, property, and carbon rights**. The rights to and tenure of forests are often poorly defined and, in particular, the rights of customary owners are seldom given full recognition. Proponents should be aware that Indigenous Peoples, forest owners, the forest workforce, and local communities are increasingly concerned that their rights to control and benefit from forest-based carbon will be nationally and internationally unacknowledged.

134. **Making climate change risk assessment an integral part of the social and environmental assessment process.** Proponent should ensure that proposals submitted to ITTO are screened and assessed for climate change-related risks and impacts. Where it may be relevant, the should consider some of the following measures and actions:

- Complementarity or consistency with the objectives of national forest programmes and relevant international conventions and agreements;
- Respect for the knowledge and rights of indigenous peoples and members of local communities;
- Full and effective participation of relevant stakeholders;
- Actions consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;
- Actions to address the risks of reversals; and
- Actions to reduce displacement of emissions.

4.7 ESS 7: Planted forests

4.7.1 Introduction

135. Demand for forest-based products will likely grow with the rising population and income, particularly in developing countries. Planted tropical forests can contribute to meeting this demand. They can achieve high levels of timber production and may therefore offer tropical countries a considerable competitive advantage in the international timber trade. They can also enhance the contribution of forestry to rural poverty reduction and to carbon stock enhancement. Providing support to poor smallholder farmers to plant trees on a sustainable basis may be an option for them to generate additional income. However, converting natural forests to tree plantations is also a significant source of GHG emissions. Deforestation and land conversion contribute 15% to 25% of global carbon emissions. Converting lowland tropical rainforest to oil palm plantations is estimated to result in a carbon debt of 610 Mg of

CO2 ha-1, which would take between 86 to 93 years to repay (PEACE[5] 2007, Danielsen et al[6]. 2008, Fargione et al[7]. 2008).

136. Forest plantations have also been associated with risks of significant and/or irreversible impacts, such as potential loss of residual biodiversity as a result of conversion to plantations of better quality successional vegetation, site degradation and nutrient depletion of sites after several rotations, increased incidence of pest and disease due to overly simplistic plantation structure; and increase in soil and water loss due to poor plantation practices and infrastructure development. ESS 6 provides requirements for avoiding, minimizing and mitigating the potentially negative environmental and social impacts of forest plantations.

4.7.2 Objective of ESS 7

137. The objective of ESS 7 is to provide guidance on how to approaches and measures to take to avoid impact of plantations to environment and social impacts, and to provide guidance to proponents of on projects aimed at successful establishment and sustainable management of plantation to enhance the contribution of forestry to rural poverty reduction and global environmental protection.

4.7.3 Scope of application

138. ESS 7 applies to forest plantation projects or plantation components of other types of projects such as interventions in the area of rehabilitation of degraded forests.

4.7.4 Requirements

139. **Description of the existing social and environmental baseline**. The project proponent should provide information collected on the past and present project contexts in order to provide a picture of social, economic and environmental trends resulting from the current state of the environment, the current socio-economic conditions in the region, the planting activity and changes which may occur as a result of planned plantations.

140. **Description of land use and land tenure.** Proponent should be aware of the need to have an integrated approach to land use management, recognizing and reconciling competing interests. They should also further bear in mind the ecological and social limits of the project area.

141. **Prediction and evaluation of significant social and environmental impacts.** The proponent should be aware of the most important impacts from plantations, who or what these will affect, and how significant the effects will be. Mitigation / offset measures should be provided with the likelihood of success of the mitigation measures proposed to alleviate the impacts, and the residual and/or cumulative effects.

142. **Primary forests should not be converted to plantations.** Establishment of forest plantations should not take place on existing primary forests. Degraded forests can be successfully rehabilitated and managed sustainably using appropriate native and/or exotic species.

143. **Special environmental protection measures.** Proponents should not plan procurement of pesticides under the project. ITTO will not fund projects using pesticides in planting or management operations.

144. **Benefits to local communities.** The local communities living in the vicinity of the plantation project area should derive significant benefits from plantation management activities. Such activities include income from planting operations, silviculture, fire prevention and control, and harvesting.

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5 PEACE. 2007. *Indonesia and climate charge: current status and policies.* PEACE, Jakarta, Indonesia.

6 Danielsen, F., H. Beukema, N. D. Burgess, F. Parish, C. A. Brühl, P. F. Donald, D. Murdiyarso, B. Phalan, L. Reijnders, M. Struebig, and E. B. Fitzherbert. 2008. Biofuel plantations on forested lands: double jeopardy for biodiversity and climate. Conservation Biology 23(2):348-358. http://dx.doi.o rg/10.1111/j.1523-1739.2008.01096.x

7 Fargione, J., J. Hill, D. Tilman, S. Polasky, and P. Hawthorne. 2008. Land clearing and the biofuel carbon debt. Science 319 (5867):1235-1238. http://dx.doi.org/10.1126/science.1152747

145. **Environmental and social management and monitoring plans**. Proponents should provide a framework for managing and monitoring impacts during the project life.

4.8 ESS 8: Forest industries and trade

4.8.1 Introduction

146. Pollution prevention and resource efficiency are core elements of a sustainable development agenda and ITTO Projects must meet good international practice in this regard. Forest industries may have several types of impact on the environment and society, including: (i) depletion through overuse or inappropriate use of natural resources; and (ii) pollution through inefficient production processes and waste generated by production processes and (ii) the chemicals used; (iv) threats to health of neighboring communities; (v) inadequate labor conditions; (vi) insufficient value addition; (vii) overreliance on non-renewable energy. ESS 8 recognizes that development of sustainable tropical forest industries and promoting tropical timber trade are essential for productive employment, poverty reduction and achieving economic development in developing producer countries. It is anchored in ITTO's vision for sustainable development. It proposes key requirements that would allow avoid, minimize, mitigate and manage the above adverse impacts that forest industries may have on the environment and people.

4.8.2 Objectives of ESS 8

147. The Objective of ESS 7 is to provide a tool that may help proponents of projects in forest industry to anticipate, avoid or minimize, and effectively mitigate risks and adverse impacts to environment and to human health and safety within the project's area of influence.

4.8.3 Scope of application

148. ESS 8 applies to Projects that may pose significant environmental risks and risks to human health and safety and to Projects that seek to strengthen employment and livelihoods.

4.8.4 Requirements

149. **Adequate screening of project activities.** More than in most projects, the proponents of forest industry projects should ensure that proposed activities are screened and assessed for potential risks of negative impacts to environment and human health. If significant potential risks are identified, ITTO will require further scoping and assessment of vulnerability, potential impacts, avoidance and mitigation measures, including consideration of alternatives to reduce potential risks.

150. **Encouraging operators responsibility.** The proponent should plan in the proposal activities to build capacity of forest industry operators and to develop institutional mechanisms for monitoring forest harvesting and forest industries. This should be a priority where such mechanisms are weak.

151. **Projects with significant risk of GHGs emissions.** The proponent of projects with significant GHGs emissions should ensure that alternatives are considered and that technically and financially feasible and cost-effective options to reduce project-related GHG emissions and intensity are adopted in a manner appropriate to the nature and scale of the project's operations and impacts. Alternative options may include alternative project locations, adoption of renewable or low-carbon energy sources.

152. **Community health and safety.** Protecting local communities from potential hazards caused and/or exacerbated by project activities (including contamination or other natural or man-made hazards), disease, and the accidental collapse or failure of project structural elements is of paramount importance. The proponents should evaluate the risks to, and potential impacts on, the safety of affected communities during the design, construction and operation. They should show clear plans for establishing preventive measures that are commensurate with the identified risks and impacts. These measures will favor the prevention or avoidance of risks and impacts over their minimization and reduction. Consideration will be given to potential exposure to both accidental and natural hazards, especially where the structural

elements of the project are accessible to members of the affected community or where their failure could result in injury to the community.

153. **Infrastructure safety.** For Projects with structural elements or components whose failure or malfunction may threaten the safety of communities, the proponent will ensure that: (i) plans for project expert supervision, operation, and maintenance are developed and monitored; (ii) independent expertise on the verification of design, construction, and operational procedures is used; and (iii) periodic safety inspections are carried out.

154. **Emergency preparedness.** The proponents are encouraged to include in the proposal how relevant authorities and third parties will be prepared to respond to accidental and emergency situations in a manner appropriate to prevent and mitigate any harm to people and/or the environment. To be specially considered are the differential impacts of emergency situations on women, the elderly, children, disabled people, and potentially marginalized groups. The proposal plan strengthening the participation of women in decision-making processes on emergency preparedness and response strategies.

155. **Pollution prevention.** The proponent will include in the proposal plans for avoiding the release of pollutants, and when avoidance is not feasible, minimizing and/or controlling the intensity and mass flow of their release. This applies to the release of pollutants to air, water, and land. The proposal should also indicate how to ensure that pollution prevention and control technologies and practices consistent with international good practices will be applied. The technologies and practices to be applied must be tailored to the hazards and risks associated with the nature of the project.

156. **Waste management.** The proponent will include in the proposal plans for preventing waste generation and how to reduce its hazardousness to human health and the environment, ensuring high quality of reusing, recycling, recovering, and reaching the target that the recycled waste is used as a major reliable source of raw materials. Turning waste into energy should be a priority for the promoter, the energy recovery being limited to non-recyclable materials. Where waste generation cannot be recycled or reused, the proponent should plan to promote improved environmentally friendly practices for the treatment, destruction and final disposal of the waste.

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ANNEX 1: GLOSSARY OF KEY TERMS

Affected community. Local community at risk of impacts from a project.

Area of influence. Area affected by a project for the analysis of impacts; includes primary project sites, those of associated facilities, and areas affected by cumulative impacts**.**

Baseline data. Data that describe issues and conditions at the inception of the ESIA. Serves as the starting point for measuring impacts, performance, etc, and is an important reference for evaluation. (OECD, 2006).

Baseline studies. Studies conducted to establish the conditions at a specific period in time, to enable predictive and comparative studies to be conducted in the future in order to determine whether there is a predicted impact.

Consultation. A two-way communication process between projects and affected communities; should be based on a plan that is culturally sensitive and provides feedback and responses.

Cumulative impacts. Incremental impact of an action when added to other past, present or reasonably foreseeable actions regardless of what agency or person undertakes such actions. Cumulative impact can result from individually minor but collectively significant actions taking place over a period of time (OECD, 2006).

Environmental & Social Impact Assessment (ESIA). A process, applied mainly at project level, to improve decision-making and to ensure that development options under consideration are environmental and socially sound and sustainable. ESIA identifies, predicts and evaluates foreseeable impacts, both beneficial and adverse, of public and private development activities, alternatives and mitigating measures, and aims to eliminate or minimize negative impacts and optimize positive impacts. (OECD, 2006).

Environmental and social risk. The possibility that environmental, social, health and safety, governance or specific factors may affect environmental and social sustainability of the operation.

Equator principles (EPs). It is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. Currently 80 Equator Principles Financial Institutions (EPFIs) in 35 countries have officially adopted the EPs, covering over 70 percent of international Project Finance debt in emerging markets. EPFIs commit to implementing the EP in their internal environmental and social policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the client will not, or is unable to, comply with the EP.

ESIA process. A systematic approach to the evaluation of environmental and social risks and impacts of a project and its associated activities throughout the project lifecycle. The process includes: screening and scoping, project alternatives; existing environmental and socio-economic conditions; impact assessment, residual impact identification, disclosure and stakeholder consultation; and mitigation and monitoring.

Free, prior, and informed consent (FPIC). It is the right of indigenous peoples to make free and informed choices about the development of their lands and resources. The basic principles of FPIC are to ensure that indigenous peoples are not coerced or intimidated, that their consent is sought and freely given prior to the authorization or start of any activities, that they have full information about the scope and impacts of any proposed developments, and that ultimately their choices to give or withhold consent are respected. (Ward, 2011)

Grievance. A concern or complaint raised by an individual or a group within communities affected by company operations. Both concerns and complaints can result from either real or perceived impacts of a company's operations, and may be filed in the same manner and handled with the same procedure. The difference between responses to a concern or to a

complaint may be in the specific approaches and the amount of time needed to resolve it (IFC, 2009).

Impact. Any change to the physical or social environment, whether adverse or beneficial, wholly or partly resulting from project activities.

Information disclosure. Process of providing information to affected communities & other stakeholders that is timely, accessible, and understandable and in appropriate form (language).

Receptor. A location or a group (e.g. a community, habitat, species, watercourse) that may be adversely affected by a specific impact of the project.

Scoping. A procedure for narrowing the scope of an assessment and ensuring that the assessment remains focused on the truly significant issues or impacts.

Screening. A process to determine the nature and extent of the ESIA or environmental analysis to be carried out.

Stakeholder engagement. Process of engaging with communities and stakeholders through two-way communication and some shared decision-making on project impacts and management.

Social impacts. The consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organize to meet their needs, and generally cope as members of society. Social impacts include changes in people's way of life, their culture, community, political systems, environment, health and wellbeing, their personal and property rights and their fears and aspirations (Center for Good Governance, 2006).

Social sustainability. It can be broadly defined as the maintenance and improvement of well-being of current and future generations (Chiu, 2003). According to McKenzie, (2004) this should incorporate equity of access to key services (including health, education, transport housing and recreation), as well as equity between generations, meaning that future generations will not be disadvantaged by the activities of the current generation. Barron and Gauntlett (2002) provide the following social sustainability goals: (i) Equity: Equitable opportunities and outcomes; (ii) Diversity: Promotion and encouragement of diversity and value of difference; (iii) Interconnectedness: Community processors, systems and structures that promote connectedness within and outside the community; (iv) Quality of life: Insurance that the communities basics needs are met; and (v) Democracy and governance: Democratic processors, open and accountable governance structures.

Vulnerable groups. People within the project's area of influence who could be disproportionately impacted due to their disadvantaged or vulnerable status (e.g., age, gender, ethnicity, poverty).

ANNEX 2: PRELIMINARY CATEGORIZATION OF PROJECTS

CATEGORY A PROJECTS

Those that are likely to:

- Be incompatible with national or international laws, commitments, treaties, and agreements
- Have adverse impact on gender equity or inter-generational equity
- Cause over-exploitation of forest resources
- Have adverse social impacts
- Have adverse cultural impacts in relation to culture and traditions of indigenous people and forest dwellers
- Increase soil erosion
- Affect human needs and health by affect water recharge and water quality
- Inhibit forest regeneration
- Damage habitats of protected species or other biodiversity
- Establish new road access to the forests
- Obstruct integrity of life in the forest
- Affect sources of income for local people
- May create or worsen land conflicts
- Introduce new species or technologies for which there is no local knowledge
- Use chemicals outside the provisions of the Rotterdam Convention
- Produce excessive quantities of GHGs

CATEGORY B

The following types of projects

- Projects involving forest harvesting and industrial timber transformation
- Interventions that do not create opportunities for women's empowerment and participation in decision-making, worsen the condition of marginalized groups, the elderly, the disabled and the youth, or do not safeguard the rights of indigenous communities and forest dwellers
- Projects that contribute to unequal distribution of resources between men and women, and between other social groups
- Watershed management or rehabilitation projects
- Climate change adaptation projects
- Projects involving land use changes
- Projects that may have adverse impacts on physical cultural resources and on the potential of tourism development
- Projects involving the use of chemicals or biotechnologies
- Projects that may have impact on biodiversity.

CATEGORY C

The following projects and activities:

- Monitoring and evaluation exercises.
- Desk studies;
- Conferences, workshops, meetings.
- Field surveys, forest inventories
- Development research, except activities or projects that may involve use of chemicals or biotechnologies
- Remote sensing and geospatial analysis

- Capacity development, training
- Minor construction activities
- Maintenance of installations
- Institutional development
- Support to value chain development activities and to the development of income-generating activities.

ANNEX 3: PROJECT ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA) SCREENING CHECKLIST

For use by member countries, ITTO secretariat, and ITTO Expert Panel to determine the ESIA of forestry projects as part of the screening/scoping processes. Only available data and information will be evaluated for filling up this checklist.

For each question only 1 of 4 boxes must be checked: Not Applicable (N/A), No, Yes or Unknown.

Would the project, if implemented? Not Applicable No Yes Unknown

I. ITTO VISION/STRATEGIC OBJECTIVES

- Be in line with ITTO's vision?
- Be consistent with ITTA 2006 objectives
- Be supportive of ITTO's strategic action plan objectives?
- Be complimentary with other ITTO technical project manuals?

II. ITTO KEY PRINCIPLES FOR FOREST SUSTAINABILITY AND TRADE

- Improve sustainable forest management?
- Conserve, protect and enhance forest resources?
- Protect and improve rural livelihoods and social well-being?
- Enhance resilience of people, communities and ecosystems?
- Include responsible and effective governance mechanisms?
- Endure that adverse social and environmental risks and impacts are avoided, minimized, and mitigated?

III. ESIA OF ITTO FORESTRY PROJECTS

ESS 1: Rehabilitation of degraded landscapes

- Will the objectives of rehabilitation of degraded forests result in restoring natural ecosystems, watershed management, enhancing carbon stocks, restoring timber and NTFs production potential, preventing soil erosion, restoring scenic beauty, etc.?

ESS 2: Timber producing forests

- Will this provide minimum requirements of sustainable forest management relevant to tropical timber producing forests that allow avoidance of negative environmental and social impacts that may result from unsustainable timber harvesting and unsustainable forest management?

ESS 3: Community-based natural resource management

- Will this avoid the risks of (i) conflicting land uses as far as conservation, sustainable resource management, forest harvesting and other objectives are concerned; (ii) degradation in the livelihoods and socioeconomic well-being of those who live with, and are managing, the natural resources?

ESS 4: Biodiversity conservation in timber producing forests

- Will this result to the maintenance and enhancement of biodiversity of species and ecosystems in production and protection forests?

ESS 5: Watershed management areas and environmental services

- Will this provide minimum requirements for effective watershed management and avoiding the risks of adverse environmental and social impacts both in upstream and downstream zones.

ESS 6: Forest-based climate change mitigation and adaptation

- Will this ensure that proposals submitted to ITTO contribute to regulating GHG missions from forests through SFM, REDD+ and other mitigation and adaptation measures; and reduce and mitigate the impact of climate change on forests and social and economic systems with ESIA.

ESS 7: Planted forests

- Will this avoid impact of plantations to environment and social impacts, and provide guidance to aimed at successful establishment and sustainable management of plantation to enhance the contribution of forestry to rural poverty reduction and global environmental protection?

ESS 8: Forest industries and trade

- Will this allow the forest industry to anticipate, avoid or minimize, and effectively mitigate risks and adverse impacts to environment and to human health and safety within the project's area of influence?

ANNEX 4: GENDER MARKER CODES

Gender Marker	Meaning	Description
Gender code o	No visible potential to contribute to gender equality	Gender is not reflected in the proposal or only appears in the outcomes. There is a risk that the project will unintentionally fail to meet the needs of some population groups and possibly even do some harm. These projects are considered “gender blind”.
Gender code 1	Potential to contribute in some limited way to gender equality.	Gender dimensions appear in only one or two outputs of the proposal, i.e. in the needs assessment, activities or outcomes.
Gender Code 2a - Gender Mainstreaming	Potential to contribute significantly to gender equality.	A gender analysis is included in the project’s needs assessment. It is reflected in one or more of the project activities and one or more of the project outcomes.
Gender Code 2b - Targeted Action	The project’s principal purpose is to advance gender equality.	The gender analysis in the needs assessment justifies this project, in which all activities and outcomes advance gender equality.
Gender Code: Not Applicable N/A		This project does not have direct contact with affected people, and it does not directly affect or determine the selection or use of resources, goods or services accessed by affected people.

(Adapted from: OCHA (2012). OCHA Gender Toolkit. Tools to help OCHA address gender equality. https://docs.unocha.org/sites/dms/documents/gendertoolkit1_121205_5_ver7.pdf)

ANNEX 5: CONTENTS OF THE ESIA REPORT

1. INTRODUCTION
- 1.1 Background
- 1.2 Purpose of the ESIA process
- 1.3 Applicable ITTO Standards
- 1.4 Structure of this Report

2. POLICY, LEGISLATION AND PROJECT STANDARDS
- 2.1 Introduction
- 2.2 The Country's relevant institutional, policy, and legal context
- 2.3 Relevant international Conventions ratified by the Country
- 2.4 Relevant International Standards

3. ESIA APPROACH AND METHODOLOGY
- 3.1 Introduction
- 3.2 ESIA Process
- 3.3 Scoping
- 3.4 Stakeholders engagement
- 3.5 Baseline data collection and methodology
- 3.6 Assessment of impact and mitigation
- 3.7 Reporting and disclosure

4. ENVIRONMENTAL AND SOCIAL BASELINE CONDITIONS
- 4.1 The area of study
- 4.2 Environmental baseline
- 4.3 Social and socio-economic baseline
  - 4.3.1 Key socio-economic indicators
  - 4.3.2 Demographic profile
  - 4.3.3 Gender profile
  - 4.3.4 Vulnerable groups
  - 4.3.5 Land use
  - 4.3.6 Social infrastructure

5. PROJECT DESCRIPTION
- 5.1.1 Project overview
- 5.1.2 Mitigation through design change
- 5.1.3 Analysis of alternatives

6. IMPACTS AND MITIGATION
- 6.1.1 Introduction
- 6.1.2 Environmental impacts
- 6.1.3 Social impacts
- 6.1.4 Cumulative impacts

7. ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN
- 7.1.1 Introduction
- 7.1.2 Organizational arrangements for ESIA
- 7.1.3 The ESCP
- 7.1.4 Monitoring programme

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