



Annual  
Environmental and  
Social Monitoring  
Report

JUNE 2024



**Galápagos**  
life fund

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## ABBREVIATIONS

DFC	US International Development Finance Corporation
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESIA	<b>Environmental and Social Impact Assessment</b>
ESMS	Environmental and Social Management System
GLF	Galápagos Life Fund
GMR	Galápagos Marine Reserve
HMR	Hermandad Marine Reserve
HSE	Health, Safety and Environment
ICSEM	Instituto para el Crecimiento Sostenible de la Empresa S.L.
IFC	International Finance Corporation
IIG	Inter-Institutional Group
IUCN	International Union for Conservation of Nature
LRP	Livelihood Restoration Plan
MAATE	<i>Ministerio de Ambiente, Agua y Transición Ecológica</i> (Ministry of Environment, Water and Ecological Transition)
MPA	Marine Protected Area
MPCEIP	<i>Ministerio de Producción, Comercio Exterior, Inversiones y Pesca</i> (Ministry of Production, Foreign Trade, Investments and Fisheries)
NGO	Non-governmental organizations
OFC	Oceans Finance Company B.V.
TAP	Transitional Assistance Plan

# 1.

## INTRODUCTION

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### 1.1 PURPOSE



This document is the Annual Environmental and Social Monitoring Report for the Galápagos Life Fund (GLF). It provides information about GLF's activities and environmental and social (E&S) performance during the first year of GLF's operations, from early May 2023 to end of May 2024 (hereafter referred to as the Reporting Period). It forms part of the GLF's commitment to keep the government and citizens of the Galápagos and the Republic of Ecuador (Ecuador), interested non-government organisations and other stakeholders informed of its performance and activities.

### 1.2 BACKGROUND

In January 2022, a significant milestone was reached in Ecuador with the establishment of the Hermandad Marine Reserve (HMR), a new marine protected area. This marked a crucial step towards protecting the pristine ecosystems linked to the iconic Galápagos Islands. The designation of the HMR has been supported with a debt conversion financing mechanism, designed to provide financial resources to enhance the management and conservation of the HMR and the surrounding marine ecosystem. The Galápagos Life Fund (GLF), a conservation trust fund<sup>1</sup> was established as a non-profit in Delaware, USA, a traditional domicile for the establishment of conservation trust funds across the world, to oversee the allocation of funding made available for conservation through the transaction.

The HMR covers an area of 60,000 km<sup>2</sup> and protects the Galápagos-Cocos Swimway, a marine pathway used by various species of conservation concern to travel between the HMR, Galápagos Marine Reserve (GMR) and the Cocos Island National Park situated in the territorial waters of Costa Rica. It is expected to become an important area for reproduction, feeding and repopulation for many marine species in

<sup>1</sup> A conservation trust fund is a financial mechanism designed to support the long-term conservation of biodiversity, ecosystems, and natural resources. A conservation trust fund provides a stable source of funding for conservation projects, ensuring that there is consistent financial support for environmental and social development projects.

the Eastern Tropical Pacific Ocean, including species of conservation concern such as sharks, whales, manta rays and turtles.

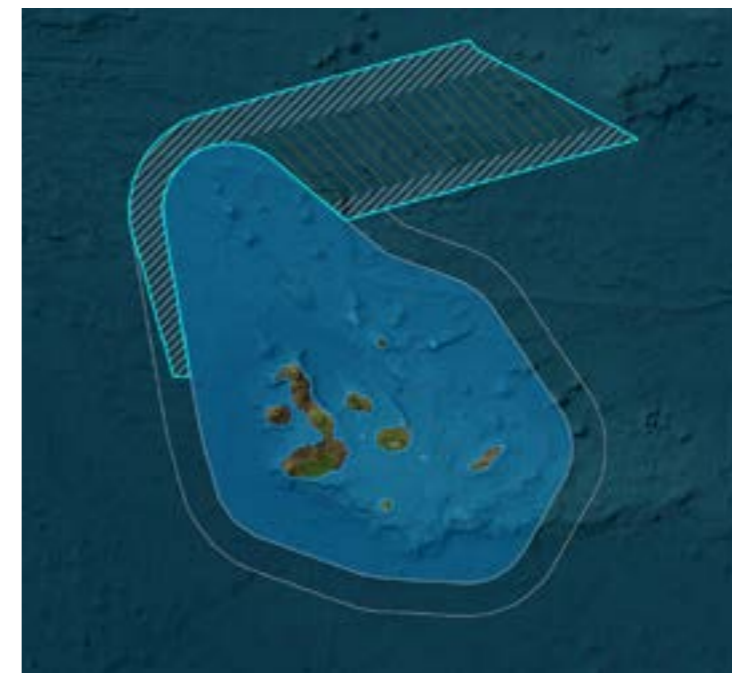


Figure 1: Location of Hermandad Marine Reserve

### 1.3 GALAPAGOS LIFE FUND (GLF)

The GLF was established in 2023 and operates from Santa Cruz Island within the Galápagos archipelago. As a non-profit organization, the GLF will adhere to Ecuadorian law and regulations and best international standards and practices, including the International Finance Corporation (IFC) Performance Standards. The GLF has an 11-member Board of Directors composed of five government and six non-government representatives of the artisanal fishing, local tourism, and academic communities. The Board of Directors is supported by a Technical Advisory Committee and a Finance Committee. The structure of the GLF is set out in Figure 2.

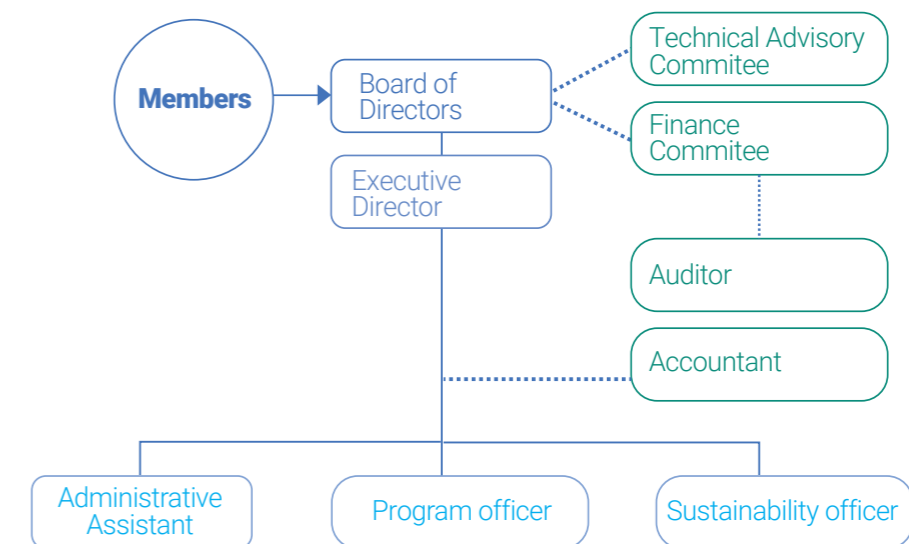


Figure 2: Galápagos Life Fund Structure



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As of 31 May 2024, the GLF organisational structure currently comprises the following fulltime personnel:

- Executive Director
- Administrative Assistant

The GLF intends to onboard a Sustainability Officer and Program Officers in the third quarter of 2024 to ensure readiness for grant making and support the long-term operations of the GLF, and post for two additional Program Officers, a Finance Director, an additional Administrative Assistant, and a Communications Officer with a goal to hire all positions by year end. The recruitment of the Sustainability Officer is crucial to finalise and implement GLF's Environmental and Social Management System (ESMS).

The primary objective of the GLF is to provide funding via grants and other forms of support that promote the conservation and maintenance, growth and security of the natural capital of the Galápagos, including HMR. The GLF will seek to help fill major funding gaps in responding to various environmental, social, and sustainable development issues and opportunities. This will include ensuring that the Management Plan for HMR that was established by the Ministry of Environment, Water and Ecological Transition (MAATE, *Ministerio de Ambiente, Agua y Transición Ecológica*) in 2023 in accordance with legislation Ecuador, is effectively implemented including associated activities such as supporting the monitoring and surveillance of the new marine reserve.

Throughout its first year, the GLF has been putting in place the operational and administrative systems, resources, procedures and mechanisms in preparation for grant making activities. This has included developing its' Operational Manual and establishing the necessary committees such as the Technical Advisory Committee. To ensure that funding is provided in a transparent, equitable, auditable and responsible manner in line with international standards, including the globally accepted IFC Performance Standards, efforts have been on undertaking a number of environmental and social studies to support the HMR Project and developing the GLF's Environmental and Social Management System (ESMS). This is required to be in place before grant making will proceed. This expected to be completed in the third quarter of 2024 and shortly after that the first calls for proposals<sup>2</sup> will be issued.

Additionally, the GLF went through a competitive request for proposals process to engage an external auditor (Price Waterhouse Cooper was selected, for a period of three years), an accountant (UHY Accounting was selected), and an investment manager (Bank of New York Mellon was selected). This process was overseen by the Finance Committee and the selected organisations were approved by GLF Board prior to appointment.

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<sup>2</sup> A call for proposal is where the GLF will invite organizations to apply for funding for projects that align with GLF's specific goals or objectives.

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# 2.

## ENVIRONMENTAL AND SOCIAL MANAGEMENT

### 2.1 ENVIRONMENTAL AND SOCIAL ACTION PLAN (ESAP)

As part of the debt conversion transaction agreements, the GLF has committed to undertake environmental and social actions to ensure the GLF operates in accordance with IFC Performance Standards. They include the need to hire a Sustainability Officer, develop an IFC compliant Environmental and Social Management System (ESMS), undertake additional social safeguards studies associated with HMR, amongst others.

No material revisions have been made to the action items detailed in the GLF's ESAP.

### 2.2 ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

GLF has been focused on putting in place the operational and administrative systems, resources, procedures and mechanisms in preparation for grant making activities. In line with this, GLF is currently developing a comprehensive IFC compliant ESMS for managing environment, social, health and safety, human rights, gender and human resources risks and impacts associated with its activities and those



of future grant-funded projects. The ESMS will comprise an ESMS Manual which outlines applicable standards and requirements, roles and responsibilities, and requirements for E&S risk management, management programs and monitoring and reporting. It will be supported by a suite of procedures and arrangements for implementation e.g. templates and tools. The ESMS will address the following:

- Organizational capacity;
- Training Programme;
- Policies;
- Register of legal and other requirements;
- Roles and responsibilities;
- Risk assessment and due diligence process;
- Management Programmes (e.g. human resources);
- Monitoring, Supervision and Reporting Programme;
- Worker Grievance Mechanism;
- Communications and External Grievance Mechanism;
- Incident/accident recording, reporting and investigation; and
- Document and information management.

### 2.3 HERMANDAD MARINE RESERVE (HMR) ENVIRONMENTAL AND SOCIAL (E&S) STUDIES AND PLANS

In March 2023, the HMR Management Plan was published by the Ministry of Environment, Water and Ecological Transition (MAATE, *Ministerio de Ambiente, Agua y Transición Ecológica*) as part of the declaration of HMR to outline the management requirements and management programs to protect critical oceanic ecosystems, migratory routes, and feeding grounds of threatened marine species, as well as to maintain a responsible fishing zone where longline fishing is excluded. The HMR Management Plan is a comprehensive document aligned with Ecuadorian legislation.

As part of the debt conversion, Oceans Finance Company B.V. (OFC) appointed a consultancy to undertake an Environmental and Social Impact Assessment (ESIA) to determine the potential impacts associated with the establishment of HMR, and this also included an assessment of the HMR Management Plan against IFC Performance Standards and the International Union for Conservation of Nature (IUCN) Global Standard for Marine Protected Areas to identify any potential gaps. The need for the following additional programs was identified:

1. Organizational Development Program
2. **Security Management Program:** better ensure that security-related activities in connection with the marine reserve are carried out in accordance with international standards
3. Community Health and Safety Program
4. Community Capacity Strengthening Program
5. **Compensation Program:** assess the potential socioeconomic impacts of the designation of the HMR on the artisanal fishing community and develop the necessary social safeguards

Furthermore, recommendations to the existing programs set out in the HMR Management Plan were identified.

Building on the gaps identified in the ESIA, OFC and the US International Development Finance Corporation (DFC) identified the following specific needs:

1. Estimate of the impact of HMR fishing restrictions on the mainland-based artisanal fishing community.

2. A Transitional Assistance Plan (TAP) to support mainland-based artisanal fishers to continue their livelihood activities outside the HMR restricted areas.
3. A robust socio-economic baseline of the mainland-based artisanal fishing community.
4. Assessment of impacts of HMR fishing restrictions on the mainland-based artisanal fishing community.
5. If necessary, based on the findings of the Impact Assessment, a Livelihood Restoration Plan (LRP) targeting the affected mainland-based artisanal fishing community.

This sections below provide an update on the studies and associated programs/ plans and the status of their implementation. The focus in the Reporting Period has been on the two priority social safeguard studies linked to security and impacts to artisanal fishers.

### 2.3.1 SECURITY MANAGEMENT PLAN

The GLF appointed a consultancy 'NLA International' to develop a Security Management Plan for HMR to better ensure community security-related activities in connection with the management and enforcement of the marine reserve are carried out in accordance with international standards. The Security Management Plan was developed following the completion of a robust assessment of security risks which included engagement with key stakeholders associated with HMR including government entities such as the Ecuadorian Navy, the Galápagos National Park Directorate, Ministry of Production, Foreign Trade, Investments and Fisheries (MPCEIP, *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca*) as well as local fishers and non-governmental organisations (NGOs). The Security Management Plan outlines actions to be implemented by the GLF and an Inter-Institutional Group (IIG)<sup>3</sup> to effectively manage security risks to communities associated with the management and enforcement of the HMR. The arrangements outlined in the Security Management Plan are guided by the principles of proportionality and good international practice in relation to hiring, rules of conduct, training, equipping, and monitoring of security forces.

A proposal to support the GLF with the implementation of the Security Management Plan has been presented to the GLF Board for review and approval is anticipated in the next board meeting. This will provide the necessary resources to support the GLF to fully implement the Security Management Plan with regards to monitoring, personnel, and grievance management for example.

### 2.3.2 Transitional Assistance Plan (TAP) and Livelihood Restoration Plan (LRP)

GLF has appointed a consultancy 'Instituto para el Crecimiento Sostenible de la Empresa S.L.' (ICSEM) to assess the potential socioeconomic impacts of the designation of the HMR on the artisanal fishing community and to develop necessary social safeguards to protect this community. Short-term actions to support this community will be documented in and implemented through a Transitional Assistance Plan (TAP). An assessment of the impacts of HMR fishing restrictions on the mainland-based artisanal fishing community is underway and the findings will determine whether there is a need to develop a LRP which would set out actions to be implemented over the longer term. This study by ICSEM has included extensive engagement with stakeholders including mainland based artisanal fishing communities and relevant authorities including representatives from MPCEIP.

The establishment of the HMR brings about new zoning regulations that are expected to modify or will need some adjustments for the mainland based artisanal fishing community:



#### No Take Zone:

area of 30,000 km<sup>2</sup> where all extractive activities, including fishing, are strictly prohibited.



#### Responsible Fishing Zone:

adjacent to the No Take Zone, this area also spans 30,000 km<sup>2</sup>. In this zone, artisanal fishing activities are permitted, with the significant restriction of excluding the use of longline fishing gear, which is known for its potential to cause substantial bycatch, including threatened species.

The creation of the HMR, while providing significant conservation benefits introduces several challenges for the artisanal fishing community of the mainland that previously fished in HMR. Over time, the reserve can enhance catches of artisanal fisheries near its borders, providing local benefits to fishers. The establishment of marine reserves has been shown to have positive impacts on local fisheries, with evidence of increased catch, catch rate, and reduction in fishing effort<sup>4</sup>. Additionally, the utility of no-take marine reserves as fisheries-management tools is supported by the hypothesis that marine reserves sustain fisheries external to them through the "spillover effect" and "recruitment effect," generating support from fishing communities.

An impact assessment is being undertaken by ICSEM to fully understand the potential impacts of the establishment of HMR on the mainland based artisanal fishing community.

It will be complemented by a TAP which will establish interventions to be implemented to support artisanal fishing communities economically displaced by the establishment of HMR. The table below outlines the status of the various phases and tasks associated with this scope.

The TAP will be implemented once finalised and accepted by the relevant authority.

<sup>3</sup> This Inter-Institutional Group (IIG) is to comprise appointed delegates from each various Ministries that will oversee the implementation of the HMR.

<sup>4</sup> Russ, G et al. (2004). Marine reserve benefits local fisheries. *Ecological Applications*, 14, 597-606. <https://doi.org/10.1890/03-5076>

Table 1 Social Safeguard Study: TAP and LRP

Phase/ Task	Description	Status
<b>Phase 1</b>		
<b>Spatial Analysis</b>	Identified the utilization patterns and ecological characteristics of HMR, including key hotspots of fishing activity, and distribution of fishing effort. A preliminary assessment of the potential impact of the HMR designation on fishing operations and marine biodiversity determined direct implications for the socio-economic fabric of coastal communities, particularly those engaged in large-scale fishing operations facilitated by mother ships.	Final
<b>Impact Estimate / Economic Valuation</b>	Determined the economic significance of HMR for local fishing communities considering catch volumes, market prices, and revenue generated by fishing enterprises operating within HMR to enable the potential economic impacts of the HMR designation to be evaluated, including changes in fishing opportunities, income levels, and livelihoods of artisanal fishermen.	Draft to be finalised.
<b>Transitional Assistance Plan</b>	A plan to provide short-term transitional assistance to artisanal fishers economically displaced by HMR restrictions in alignment with the IFC Performance Standards.	Draft to be finalised.
<b>Phase 2</b>		
<b>Socio-economic Baseline</b>	Primary data collection to characterise the communities reliant on fishing activities within HMR. Involved engagement with fishermen, community leaders, and fisher associations, researchers collect information on various socioeconomic indicators, such as livelihoods, income levels, social structures, skills, capacities, access to resources, and other relevant factors. The baseline provides the socioeconomic conditions of the fishing communities, to serve as a reference point for evaluating changes resulting from the establishment of the HMR.	Draft to be finalised.
<b>Socio-economic Impact Assessment</b>	of the designation of the HMR on the artisanal fishing community	In progress
<b>Livelihood Restoration Plan</b>	If required based on the findings of the impact assessment, targeted interventions to be implemented to support communities impacted by the establishment of HMR.	In progress

### 2.3.3 Other E&S Programs and Plans

As set out in Section 2.3 above, a number of programs are required to better ensure that the HMR aligns with international standards, namely the IFC Performance Standards and the IUCN Global Standard for Marine Protected Areas. These programs are outlined in the ESIA and will be developed further with the technical and financial support of the GLF in collaboration with the Galápagos National Park Directorate. The responsibility for the implementation of these programs will sit with the Galápagos National Park Directorate or relevant authorities as indicated in the respective programs in the ESIA.

The GLF will establish arrangements for the ongoing monitoring to confirm implementation of, and compliance with the specific requirements of the HMR Management Plan and these specific programs (see Section 6).



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# 3.

## STAKEHOLDER ENGAGEMENT

### 3.1 STAKEHOLDER ENGAGEMENT ACTIVITIES

A Stakeholder Engagement Plan (SEP) was developed for the HMR as part of the ESIA. GLF will maintain regular communication with stakeholders and provide participatory spaces that include interested and affected parties, especially vulnerable groups. The GLF is currently reviewing and revising the existing stakeholder analysis to ensure it remains up to date and will do this on an annual basis.

During the Reporting Period, stakeholder engagement activities that took place largely focused on the social safeguard studies (artisanal fisheries and security) and included workshops, meetings, and discussions with key stakeholders including regulatory authorities, local communities, and other key stakeholders including non-governmental organisations. Workshops and meetings focused on the various phases of the studies, including the socio-economic baseline surveys, the spatial analysis and the TAP, and Security Management Plan.

In addition to engagement activities around the social safeguard studies, GLF has engaged with regulatory authorities such as the Galápagos

National Park Directorate, local communities and other key stakeholders in the Galápagos and nationally. A summary of the key engagements undertaken in the Reporting Period is outlined in the table below.



Figure 3: Engagement Activities for HMR Socio-Economic Baseline

Engagement activities with stakeholders are planned to increase in the remainder of the year as the GLF gets fully established in preparation for grant making. Engagement activities will be outlined in the revised SEP.

Table 2 Summary of Key Stakeholder Engagement Activities

Engagement	Stakeholders	Issues/ Topics Discussed	Location	Timing	No. Participants
Meetings	Government entities including: Galapagos National Park Service Department of Aquaculture & Fisheries Ecuadorian Navy	HMR Security Management Plan: Security risks and security implications of the establishment of HMR- monitoring and enforcement operations. Fishing sector threats and concerns e.g. over-fishing and Illegal fishing. Challenges with fishing technology. Challenges of enforcing fisheries legislation in HMR and capacity.	Santa Cruz Island Manta (Fisheries)	Nov 2023	
	Non-governmental organisations: Galápagos Conservation Trust Jocotoco Fundación Wild Aid		Virtual		
	Fishermen and fishing groups including: Pelikan Bay Fishing Cooperative Tuna Association of Ecuador		Santa Cruz Island		
Survey	Socioeconomic and livelihood survey of fishermen throughout the HMR project Area of Influence	Data collection exercise to collect the social and economic baseline of the people who work in the artisanal fisheries sector (expenses and income, fishing areas, characterization of fishing gear, safety in navigation and commercialization of the catch, conditions credit, training and education, satisfaction and community support in the face of the challenges they face every day, among others).	HMR Area of Influence: Esmeraldas, Santa Elena and Manabí Provinces (20 fishing communities)	Oct-Nov 2023	469 respondents
Focus Groups	Fisheries Administration	Continuous engagement throughout social safeguards study including validating socio-economic baseline, spatial study analysis of the artisanal fleet in HMR and way forward for the study.	San Mateo, Manta	Mar 2024	9

Engagement	Stakeholders	Issues/ Topics Discussed	Location	Timing	No. Participants
Focus Groups	Fishing Leaders:	Key concerns raised by fishing leaders include concerns about security at sea, the need for better equipment, and a decrease in the number of artisanal fishermen due to unfavourable working conditions.	Santa Elena: ports of Santa Rosa and Anconcito Manabí: Ports of Manta, Jaramijó, San Mateo	Mar 2024	15 20
Workshops	Artisanal fishers - fishermen from different cooperatives, communities including owners of the mother vessels	Impacts of HMR. Gathering feedback on the socioeconomic and spatial analyses conducted.	Salinas and Manta	Mar 2024	Approx 20 per workshop
Community Talks	Communities of the inhabited island of the Galapagos	Introduction to GLF and community GLF logo competition.	Santa Cruz Island Isabela Island San Cristobal Island	Apr 2024	3 talks- 71 4 talks- 41 5 talks- 52
Meeting	Ministry of Environment, Water and Ecological Transition including: Minister Advisor Minister of Environment	General information related to GLF; review of documents left by former minister. Preparation meeting for Board Meeting. Informative meeting to outline progress during the previous two board meetings and next steps for upcoming months.	Quito Galapagos Quito	Dec 2023 Feb 2024 May 2024	3 7 4
Meeting	National Park Director	Management of HMR and implementation of the HMR Management Plan.	Santa Cruz Island	May 2024 Apr 2024	2 4
Meeting	Navy representatives and National Park Director	Proposal for first grant to be issued for the enforcement and management of HMR.	Santa Cruz Island	Apr 2024	6
Meeting	Fisheries Representatives	General information about GLF, planned timing of call for proposals, overview of activities needed to be completed by GLF prior to grantmaking.	Santa Cruz Island	May 2024	4
Meeting	Minister of Finance	Status of GLF	Virtual	May 2024	4
Meeting	Inter-American Development Bank (IDB)	Status of GLF and planned upcoming activities.	Virtual	May 2024	4



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### 3.2 GRIEVANCE MANAGEMENT

The GLF has developed a Grievance Mechanism in an effort to build strong relationships with external stakeholders and to manage the impact of its funding activities on potentially affected communities. This will be used to receive and facilitate resolution of stakeholders' concerns, complaints, feedback and grievances. With the planned ramp up of the GLF activities, this is to be formalised and made open and accessible to all.

No formal grievances have been raised in the Reporting Period.



## HEALTH, SAFETY AND ENVIRONMENTAL (HSE) PERFORMANCE

### 4.1 HEALTH AND SAFETY

No health and safety (H&S) incidents or near misses have occurred in the Reporting Period given GLF is yet to commence grant making and that GLF's activities have been limited to operational start up. The H&S indicators GLF tracks and reports against are outlined in the table below.

Table 3 Health and Safety Performance

Category	GLF	Grantees
Health and Safety Incidents		
Fatalities	0	N/A
Lost time incidents	0	N/A
HPI (High Potential Incident)	0	N/A
Medical Treatment Beyond First Aid	0	N/A
First Aid/ No Treatment	0	N/A
Reportable Spills	0	N/A
Near Miss	0	N/A

### 4.2 ENVIRONMENTAL INCIDENTS

No environmental incidents or spills have been recorded in the reporting period.

# 5.

## TRAINING AND AWARENESS

As part of the development and implementation of the ESMS, GLF will establish and roll out an E&S training program to GLF personnel (including the GLF Board of Directors) and grantees. The training programme will primarily focus on safety, security, health and environmental topics. It will also focus on the GLF E&S due diligence and risk management processes and the monitoring programs applied to grant funded projects. It will provide GLF personnel and grantees with the necessary awareness, knowledge and skills to undertake activities in accordance with the GLFs ESMS.

In addition, anti-money laundering / know your customer training will be provided to personnel in the upcoming semester of 2024.

To date, training activities have been limited to training of the GLF Board on the GLF policies and procedures including the GLF bylaws and Operational Manual.

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# 6.

## MONITORING AND EVALUATION

### 6.1 GLF AND GRANTEES

As part of the ESMS, the GLF will establish a monitoring, evaluation and reporting program which will be used by the GLF to monitor the E&S performance of its activities and that of the grant funded projects. As part of this, from 2025, an independent E&S consultant will be hired to conduct audits of GLF and a representative sample of grant-funded projects on an annual basis.

No monitoring activities have been undertaken in the Reporting Period.

### 6.2 HMR

The GLF will establish a monitoring, evaluation and reporting program to confirm implementation of, and compliance with the specific requirements of the HMR Management Plan and various associated programs set out in Section 2, including the TAP and Security Management Plans.

No monitoring activities have been undertaken in the Reporting Period.



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# 7.

## SUMMARY AND CONCLUSION

In the first Reporting Period from early May 2023 to end of May 2024, the GLF has focused its efforts on putting in place the resources, procedures and mechanisms in preparation for grant making activities. These efforts are still ongoing as the GLF organization is established. The priority focus area for the GLF is on establishing a comprehensive IFC compliant ESMS and associated plans and procedures to manage potential environment and social risks and impacts associated with GLFs activities and those of grantees, for grant funded projects.

The GLF is undertaking a number of studies to support the HMR including the social safeguards study to identify artisanal fishers that have been impacted by the establishment of the HMR and establish adequate and effective interventions or safeguards to ensure they are protected in line with international standards. Stakeholder engagement activities will be ramped up in the coming reporting period together with robust monitoring and evaluation programs to measure the effectiveness of GLF and GLF funded projects.

The GLF will continue to progress the ESMS and associated management plans in preparation from implementation and grant making.



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