

Environmental and Social
Review Procedures
2014



CARIBBEAN DEVELOPMENT BANK

**ENVIRONMENTAL AND SOCIAL
REVIEW PROCEDURES**

December 2014

LIST OF ABBREVIATIONS

BMC	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
CDB	-	Caribbean Development Bank
CPA	-	Country Poverty Assessments
CTCS	-	Caribbean Technological Services Consultancy
CVA	-	Climate Vulnerability Assessment
DAC	-	Development Assistance Committee
EA	-	Environmental Audit
EIA	-	Environmental Impact Assessment
EHS	-	Environmental, Health and Safety
EOV	-	Evaluation and Oversight Division
ESIA	-	Environmental and Social Impact Assessment
ESMF	-	Environmental and Social Management Framework
ESMP	-	Environmental and Social Management Plan
ESPRC	-	Environmental and Social Performance Requirements Checklist
ESRP	-	Environmental and Social Review Procedures
ESSM	-	Environmental and Social Screening Memorandum
ESU	-	Environmental Sustainability Unit
FI	-	Financial Intermediary
GEPOS	-	Gender Policy and Operational Strategy
IFC	-	International Finance Corporation
ILO	-	International Labour Organisation
IPDP	-	Indigenous Peoples Development Plan
NHIA	-	National Hazard Impact Assessment
PC	-	Project Coordinator
PCB	-	Polychlorinated Biphenyls
PCR	-	Project Completion Report
PR	-	Performance Requirements
POP	-	Persistent Organic Pollutants
PPMS	-	Project Portfolio Monitoring System
PSDD	-	Private Sector Development Division

RP	-	Resettlement Plans
SA	-	Social Assessment
SDF	-	Special Development Fund
SESIA	-	Strategic Environmental and Social Impact Assessments
SIA	-	Social Impact Analysis
SSD	-	Social Sector Division
TA	-	Technical Assistance
TOR	-	Terms of Reference
WHO	-	World Health Organisation

GLOSSARY OF TERMS

Affected Community	A community at risk from potential negative environmental or social impacts of a development project.
Analysis of Alternatives	A summary description and evaluation of the alternatives considered, the rationale for selection, the proposed alternative, and a description of its impacts.
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.
Associated Facilities	These are facilities that may not be funded, or owned by the project, but whose viability and existence depend upon the project, or whose goods or services are essential for its operation.
Baseline Data	A description of the existing environmental and social conditions at the project site, and within its area of influence, which are of relevance to project decision making.
Biodiversity	The variability among living organisms from all sources, including, <i>inter alia</i> ; terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems.
Borrower	Refers to those receiving direct and indirect financing from CDB's resources and applies to both grants and loans.
Consultation	The communication process established between borrowers and key stakeholders, throughout the project cycle. It should allow for adequate feedback and response between the parties.
Cultural Property/Sites	Any natural or manmade areas sites, structures and remains of archaeological, historical, religious, spiritual, cultural or aesthetic value, which are part of a country's resource base and therefore of cultural heritage significance.
Gender Equality	Gender equality is the result of women, men, girls and boys having equal conditions for realising their full human rights and for contributing to, and benefiting from, economic, social, cultural and political development.
Indigenous Peoples	Used in a generic sense to refer to a distinct vulnerable social and cultural groups that typically self-identify as distinct; collective attachment to geographically distinct land areas or habitats; have distinct customary economic, social or cultural institutions separate from the dominant society or culture; distinct language.

Information Disclosure	The process of providing information, (appropriate language and form timely, accessible, and understandable), to affected communities and other stakeholders.
Involuntary Resettlement	Results when affected individuals or communities do not have the right to refuse physical or economic displacement that results when land, which they occupy, is to be acquired for a project.
Natural Habitats (Critical)	Generally, biophysical environments where human activity has not modified the ecosystem's primary ecological functions; critical areas have high biodiversity of exceptional utility, and provide critical ecological services required for sustainable human development.
Cultural Property	Refers to sites, structures, and remains of archaeological, historical, religious, cultural or aesthetic value, which are part of a country's resource base and therefore cultural heritage.
Resettlement Plan	Documentation setting out the responsible entities, plans and procedures for mitigating impacts, and compensating for losses to affected people physically or economically displaced.
Sustainability	To manage planetary resources in a manner that benefits present generations, while not compromising the reasonably foreseeable needs of future generations.
Vulnerable Groups	Groups within the project's area of influence that could be disproportionately impacted in the development process due to their disadvantaged, vulnerable status, This may include; ethnicity religion, culture, age, physical or mental ability, and how they intersect with gender.

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FIGURE

FIGURE 1-	Social and Environment Categorisation Process
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TABLE 1 –	Environmental and Social Review Process in the Project Cycle
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1. INTRODUCTION

1.01 The Environmental and Social Review Procedures (ESRP) builds on the experience gained in the application of Caribbean Development Bank's (CDB) Environmental Review Guidelines (1994) and the Guidelines for the Social Analysis of Projects (2004) that to date have been the primary guidance document for assessing the environmental and social dimension of its operations. The revised ESRP reflects recent shifts in thinking and approaches by the development community in addressing issues of environmental and social sustainability and poverty reduction. These include the need for enhanced dialogue, participation and consultations with all stakeholders, systematic assessment of impacts and risks, more focus on the analysis of the social dimensions of development initiatives and greater effort to harmonise policies and procedural requirements with the wider development community to improve development effectiveness, provide support to Borrowing Member Countries (BMCs) to address issues they have identified as priority concerns, central to their efforts to reduce poverty and to achieve their sustainable development objectives.

1.02 The ESRP outlines how CDB within its mandate and operations ensure that environment and social risks are managed. The ESRP includes eight environment and social performance standards that reflect the principles, core policies, standards and best practice approaches adopted and used in the treatment of sensitive environmental and social issues by the multilateral financial and development community. The objectives of the performance requirements (PR) are to:

- (a) optimise decision making with respect to environment and social impacts, and risks to anticipate, avoid, mitigate, and/or compensate for adverse project impacts on the environment and affected people and communities;
- (b) assist BMCs to build capacity and strengthen their institutions and governance systems to effectively manage environmental and social risks; and
- (c) provide staff, BMCs and other development partners with a clear understanding of the CDB's requirements, and procedures, accountabilities for managing environment and social risks in its operations.

1.03 For presentation purposes the ESRP is divided into two components: (i) mainstreaming environmental and social considerations; and (ii) the environmental and social review requirements specific to the Bank's investment lending operations. Central to these two components are the environmental and social PR that guide the Bank's approach to the management and treatment of social and environmental issues in its operations.

1.04 The Environmental Sustainability Unit (ESU) of the Projects Department has general responsibility for the updating and revision of the ESRP, for the development of other environment and social operational policies/procedures, guidance in the familiarising and training of staff in their use, as well as for providing general guidance on these issues. ESU and social analysts from the Social Sector Division (SSD) are directly involved in project work as members of project teams. They are also responsible for providing technical inputs in the appraisal and supervision of investment projects, and support to the wider Operations Area of the Bank. Recognising this, the Bank will maintain adequate staff resources to develop discrete environmental and social projects and manage its internal environmental and social appraisal and monitoring requirements.

1.05 The ESRP will be reviewed and updated on an ongoing basis, subject to the approval of the Bank's Senior Management Group and notified to the Board of Directors. The application of the ESRP

will serve as the basis for the evaluation of the Bank's environment and social performance and will be subject to an independent review and evaluation at least every five years.

2. ENVIRONMENT AND SOCIAL PERFORMANCE REQUIREMENTS

2.01 To achieve the objectives of the ESRP, the Bank has adopted eight PR that define the principles and objectives for addressing the treatment and management of environment and social issues. The PR are in the main based on the "Good Practice Note - A Common Framework for Environmental Assessment (2005)", prepared by the Multilateral Financial Institutions Technical Environment Working Group^{1/}. The Development Assistance Committee of the Organisation for Economic Cooperation and Development, has endorsed the document as the basis for convergence of environmental and social requirements with respect to institutional requirements, processes, and practices for development projects, have endorsed this document.

2.02 The ESRP and associated PR apply to all CDB financing and non-financing operations and to both the public and private sector operations. Environmental and social appraisal is integrated in CDB's wider due diligence and project appraisal process with the scope of the appraisal determined by initial screening and categorisation on a "case by case" basis. Appendix 1 provides details of the objectives, principles, and scope of the PR listed below:

- (a) Pollution Prevention, Control and Management.
- (b) Toxic and Hazardous Substances Control and Management.
- (c) Physical Cultural Property.
- (d) Natural Habitats and Biodiversity Conservation.
- (e) Directly Affected Communities.
- (f) Vulnerable Groups.
- (g) Land Acquisition and Resettlement.
- (h) Community, Worker Health and Safety.

2.03 CDB will not finance projects that do not meet its environment and social PR as defined in this ESRP. At a minimum, all projects financed with CDB's resources must meet the applicable national environment and social legislation; however CDB's requirements may exceed that required under a specific BMC's legislation.

2.04 All new projects must be structured and designed to meet applicable PR, throughout all phases of the project cycle. In the financing of projects, which are already operational and which do not meet the PR, CDB will work with the Borrower^{2/} to develop an action plan or work programme to achieve compliance for a defined outcome that is satisfactory to the Bank.

2.05 CDB is committed to work with other development partners and BMCs to promote the principles and enable the effective implementation of international law governing environment and social PR as set out in the multilateral environment and social agreements, and will cooperate and collaborate with its development partners through co-financed programmes and projects or other collaborative arrangements designed to promote sustainable development. CDB will not finance projects that contravene BMCs obligations under international environment or social agreements.

^{1/} CDB has been a member of the Group since 1992.

^{2/} Borrowers defined for the purpose of this document as recipients of CDB's loan and grants.

Monitoring and Reporting

2.06 The Borrower is responsible for preparing and implementing programmes and projects financed by the Bank, and is therefore responsible for meeting the environment and social PR as set out in legal agreements between the Bank and the Borrower. CDB will work with Borrowers to assist them to meet these responsibilities. Where there are deficiencies in a Borrower's capacity that could hinder their ability to satisfy these requirements, the Bank will provide direct technical assistance (TA) or cooperate and collaborate with third parties such as other development partners, other financiers, technical institutions or non-government organisations (NGOs) to ensure the successful outcomes of programmes or projects.

2.07 Borrowers are required to monitor and report to the Bank on their compliance with the ESRP requirements. CDB will also monitor Borrower's compliance through site visits, or through independent monitoring arrangements. Persistent non-compliance with ESRP obligations by the Borrower could have financial and legal consequences based on the provisions of the loan agreement.

Stakeholder Participation

2.08 The Bank recognises the value a well-informed and engaged public can bring to the development process and contribute to the attainment of the BMC's sustainable development objectives. CDB is therefore committed to the principle of corporate transparency, accountability and stakeholder engagement, and BMCs are encouraged to adopt and promote these principles. CDB will report on its performance in the application of the ESRP and other activities related to the environment and social dimensions of its operations in its Annual Report.

2.09 The Bank will work to promote meaningful dialogue and participation on environment and social issues through its policy dialogue with BMCs as well as in its financing operations. The ESRP requires that Borrowers initiate early engagement, participation, consultations and disclosure of information to parties likely to be affected by significant negative impacts from the investments projects it finances. The level and nature of stakeholder engagement and participation will vary depending on the project, and Bank staff will work with Borrowers to determine the level of consultation and disclosure of information necessary to meet the Bank's requirements.

3. MAINSTREAMING ENVIRONMENTAL AND SOCIAL ANALYSIS

Country Strategy Development

3.01 The preparation of a Country Strategy Paper (CSP) is the key process used by the Bank to identify, define, and coordinate its work programme with BMCs. It is a collaborative preparation process involving the Bank, the BMC and a range of national stakeholders and other development partners. It is therefore an excellent mechanism for mainstreaming environment, social and poverty related considerations, in the Bank's work with BMCs. CSPs are required to reflect CDB's environmental sustainability objectives, and documents are required to include a section that address significant environment and social issues, potential opportunities and strategic priorities agreed on with the BMC for CDB's support.

3.02 Strategic Environmental and Social Impact Assessments (SESIA) are analytical tools used for country, sector, policy, project or programme level environment, and social analyses. They provide a framework within which to assess structural weaknesses or long-term cumulative environmental and social impacts and devise appropriate mitigation measures. The Bank may use consultancy services or its staff to carry out these strategic studies that will normally cover; (i) country environmental and social performance analysing environmental and social trends and indicators of: key natural resources and eco-systems, relevant social issues (poverty, labour, gender) the national status on international or regional agreed targets and goals; (ii) an assessment of the drivers, causal linkages and inter-linkages between

significant environment, poverty, social and macro-economic issues. Preparation of these studies should draw upon the BMC's economic sector policies and specific environment and social policies, strategies and plans such as: National Environmental Action Plans, Climate Change Policies and Strategies, Natural Disaster Management Policies and Plans, Country Poverty Assessments (CPAs), Growth and Poverty Reduction Strategies, Poverty Reduction Strategies and Action Plans, and National Gender Policies.

3.03 ESU is responsible for coordinating the preparation of these strategic studies, and will work closely with the Economics Department and key stakeholder groups in BMCs, (government, private sector and NGOs) during their design and preparation.

Special Development Fund Allocations and Programmes

3.04 CDB administers a number of programmes financed from its Special Development Fund (SDF) resources or designed as special purpose vehicles programmes such as the Basic Needs Trust Fund (BNTF), or be in specific programme areas identified as high priority such as disaster risk reduction and climate change response, such as the Community Disaster Risk Reduction Fund. In addition, the Economics, Finance, and Corporate Planning Departments are responsible for the allocation of SDF resources and do so using a range of governance, economic, social and environment criteria. Special purpose programmes are required to demonstrate consistency in whole or part with the ESRP and may or may not have specially designed environment and social assessment management procedures and requirements.

3.05 ESU staff will provide advice and technical support in the determination and application of the environmental and social performance criteria used in the resource allocation process. These criteria may include the current country performance indicators of environment and social conditions in the country as well as indicators related to environment and social policy, institutional and governance arrangements.

Promote and Support Investments with High Environment and Social Benefits

3.06 CDB will promote and support initiatives designed to increase environmental sustainability and provide significant environment and social benefits through either discrete projects or as components of specific investment projects. These may include, but are not limited to:

- (a) activities that strengthen institutions and improve governance arrangements for environment and social issues at the regional and national level;
- (b) revision of policy;
- (c) improved management of regional public goods such as environment and natural resources databases and the development monitoring and reporting systems; and
- (d) development of knowledge resources crucial to policy development and decision-making, and the provision of training.

3.07 The Bank will promote and finance directly, discrete capital projects that have high environment and social benefits. These may include, but are not limited to, investments that restore or improve environmental quality and ecological services, biodiversity protection, reduce green house gas emissions, contribute to natural hazard risk reduction and climate change adaptation, improve energy efficiency, development and use of renewable energy, as well as projects that promote sustainable livelihoods of the rural poor. Although in these initiatives the principles and criteria of environmental sustainability are paramount, they are required to meet the Bank's normal criteria for financial viability and institutional sustainability.

Special Purpose Programmes and Projects

3.08 Environmental and social sustainability have been integrated into special purpose programmes such as the Caribbean Consultancy Technology Services (CTCS) and the BNTF. CTCS provides a range of TA support services to the private sector in BMCs including technical seminars and workshops at the regional and national levels which cover topics of critical importance to small businesses. It therefore provides an opportunity to:

- (a) encourage these enterprises to identify and take advantage of business ventures with high environment or social benefits;
- (b) strengthen their environmental management capacity; and assist with project specific tasks such as environmental impact assessments (EIA) and audits; and
- (c) promote clean technology and best management practices to improve efficiency, reduce waste and raise productivity.

3.09 The BNTF is a grant-funded poverty reduction programme to assist BMCs with the provision of basic services to poor communities in ten participating BMCs. BNTF finances initiatives across a wide range of sectors such as: water and sanitation, education and day care facilities, health facilities, shelter for vulnerable groups, community markets, access and road construction, rehabilitation and maintenance as well as the provision of skills training.

3.10 BNTF utilises a participatory community-based approach to project development, and works with both government agencies and NGOs. CDB has developed specific environment and social procedures to manage risks peculiar to the portfolio of small basic infrastructure sub-projects financed under the programme. These procedures encourage and promote environmental awareness and the strengthening of the capacities of communities to identify and manage environmental and social issues at the community level. ESU/SSD staff will provide advice and technical support to the BNTF programme on sub-projects and support community level training awareness building initiatives.

4. MANAGING ENVIRONMENT AND SOCIAL RISKS IN THE PROJECT CYCLE

4.01 Environment and social assessment is required for the appraisal of all investment projects proposed for CDB financing, to determine their suitability for financing. Projects are assessed for their potential environment and social risks, opportunities for introducing enhanced environment and social benefits, the capacity of the Borrower to implement the project in-keeping with CDB's PR, and the wider context of the national legislative and regulatory requirements within which it will operate.

Screening and Categorisation of Projects

4.02 The Borrower is responsible for the provision of all relevant environmental and social information to the Bank, which will be used in the screening process to determine the nature, and scope of potential significant environment and social risks and impacts which will need to be addressed. Early dialogue between the Bank, the Borrower and key stakeholders is therefore encouraged since at this early stage there is opportunity for CDB staff to provide guidance on CDB's requirements.

4.03 A scaled risk-based approach will be used to categorise project proposals on the basis of risk. This will ensure that environmental and social requirements and processes are commensurate to their level of risks and will therefore not slow down or overburden low risk projects. ESU/SSD staff have responsibility for project screening and will categorise each project to determine the nature of the assessment and will take into account factors such as the scale of the proposed activity, its physical

location, area of influence, associated facilities, the magnitude and nature of the potential impacts; and risks.

4.04 The Coordinator, ESU will assign staff to screen each project for environment, disaster and climate change risks while the Division Chief, SSD or his or her designee will assign social analysts to assess social risks. A single category is assigned to each project that reflects the issue(s) with the greatest potential for environmental or social impacts. Projects are classified according to the following categories:

Category “A” projects are those with the potential for significant, diverse, unique, irreversible, or otherwise adverse environmental or social impacts and/or risks. Comprehensive formal environmental and/or social analysis is required using specialised and independent technical expertise.

Category “B” projects are those with the potential for limited adverse environmental or social impacts and/or risks that are readily identified. They may be site specific or require mitigation and management measures that are readily known and easily addressed. The environment or social assessment may be limited, requiring that specific issues be addressed based on CDB’s PR.

Category “C” projects are those having little or no potential for adverse environmental or social impacts. Environmental and social appraisal is generally not required beyond the requirements necessary to categorise the project.

Category “FI” typically, the structure of financing is usually through a line of credit provided by CDB, to a financial intermediary (FI) responsible for appraisal, disbursing and monitoring resources provided for sub-projects to multiple small and medium-sized private sector borrowers.

4.05 If at least one project component can be clearly classified as “A” or “B”, then the project, as a whole, is assigned this category. The Coordinator, ESU and or the Division Chief, SSD may assign or provide additional technical expertise if this is deemed necessary for the preparation and/or appraisal process. Figure 1 illustrates the environmental screening and categorisation process, and additional guidance on project categorisation is provided at Appendix 2.

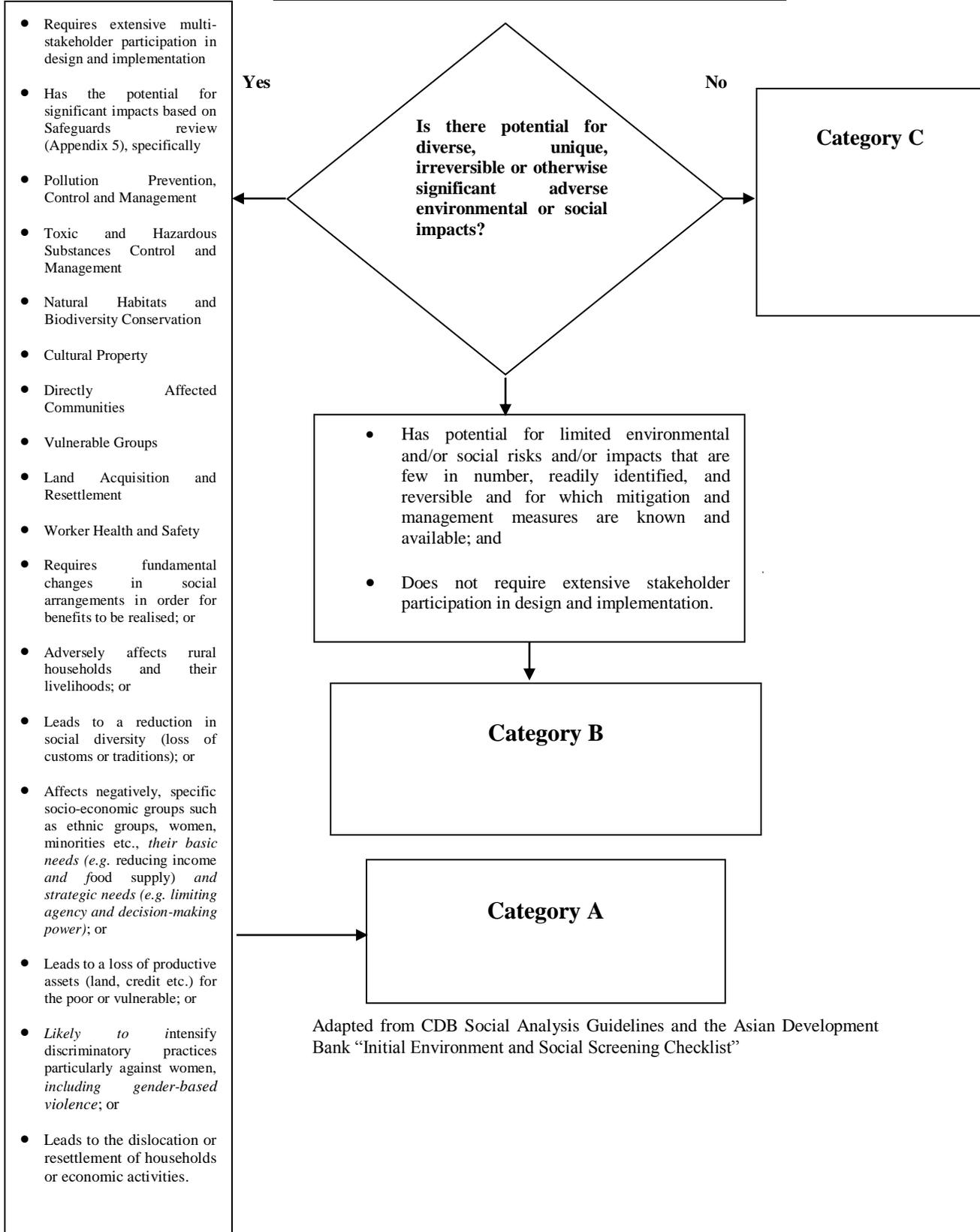
Emergency Rehabilitation Projects

4.06 The ESRP is not applicable to emergency grants and/or emergency reconstruction and rehabilitation projects since the completion of standard environmental and social assessments may not be possible before submission to its CDB’s Board. However, once these projects have been identified for financing, ESU/SSD staff should be included in the project appraisal team. Staff will work with the Borrower to determine the specific requirements for the environment and social assessment. Under these circumstances an environmental management plan (EMP) or resettlement plan (RP) may be allowed as a condition to disbursement of the loan or individual loan components.

Environment and Social Exclusion List

4.07 CDB may choose not to finance a project or programme on environment and or social grounds. It may also choose not to finance specific interventions based on the Environmental and Social Exclusion List at Appendix 3.

SOCIAL AND ENVIRONMENT CATEGORISATION PROCESS



5. ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCESS

5.01 The categorisation of the project reflects the nature and depth of the environment or social assessment the Borrower will be required to use to determine the potential significant adverse environmental and social impacts and risks throughout all phases of project cycle. The assessment shall (i) consider all potential direct, indirect, transboundary, and cumulative impacts and risks that could result from the proposed project; (ii) assess alternatives to the project; and (iii) assess possible measures to avoid, minimise, or mitigate environmental and social risks and/or impacts of the proposed project. The Bank will use the environment and social assessments submitted by the Borrower to evaluate the significance of potential impacts and risks, the willingness and capacity of the Borrower to address these issues measured against national or statutory requirements of relevance to the project and the PR of the ESRP. In cases where the environment and social assessment do not meet the requirements of the CDB's Performance Standards, CDB will require the client to undertake an additional assessment or, where appropriate, to commission an assessment by external experts.

5.02 In general, CDB supports the "precautionary principle" i.e. that preventative action or avoidance is preferred to curative treatment. Where avoidance or prevention of environmental damage is not possible, then the damage should be rectified at source and the offender should pay. Analytical tools such as EIAs, Environment Audits (EAs), Social Impact Analysis (SIA), Natural Hazard Impact Assessment (NHIA) and Climate Vulnerability Assessment (CVA) are tools used to systematically identify, analyse, predict impacts, assess, evaluate potential impacts and risks, evaluate project alternatives (e.g. site, design, technology) and provide the mitigation and adaptation measures required to manage the predicted social, environmental, natural hazard and climate change impacts.

Environmental and Social Management Plan

5.03 Recommended mitigation measures should be presented as an Environmental and Social Management Plan (ESMP). A proportionate, adaptive and collaborative approach is recommended in the design of the ESMP between CDB, the Borrower and project stakeholders and included as a conditionality of project financing. The ESMP will outline in detail the agreed measures to be taken during project implementation, the actions required for implementation, the allocation of institutional responsibilities, cost and implementation schedule showing links with the overall project implementation plan as well as the associated, performance monitoring and reporting procedures. It is important that there is sufficient flexibility to facilitate changes that may be required during project implementation. (See Appendix 6, Item C). In cases where there will be need for involuntary resettlement or which will significantly impact on affected communities including Indigenous Peoples (IP), then a discrete RP or Indigenous Peoples Development Plan (IPDP) may also be required. A commitment to implement the ESMP will usually be included as a condition of the project financing and its monitoring and reporting requirements will be reflected in the monitoring and reporting requirements of the loan conditions.

5.04 A project may require the use of one or a combination of these tools, or elements of these tools, depending on its nature or complexity. The assessment process provides the opportunity for the early engagement of stakeholders in the identification and management of environmental and social risks. The findings of the EA and Social Assessment (SA), is often presented as a single report called an EIA study. In some instances the environment and social assessment may be presented as two distinct reports, particularly if the projects has significant or complex social issues. In addition, where necessary, discrete summaries may be required to highlight the findings of special natural hazard or CVA work specifically carried out to inform the project design.

Significant Social Issues

5.05 Poverty and vulnerability reduction are central to the objectives of the Bank's work and as such its investment financing operations are required to promote and enhance equity of development benefits, increase equitable access to basic goods and services, and promote inclusion and greater social cohesion. In financing projects with significant, contentious and complex social issues that are likely to impact on the poor and vulnerable, the Borrower may be required to carry out separate social assessment studies to systematically address these issues as well as demonstrate the "meaningful participation" of affected groups in all phases of the assessment process and throughout the project cycle.

5.06 Although the social issues will vary based on the nature of the project, the assessment should cover:

- (a) data collection methods and methodologies used in the study;
- (b) population size, composition, and the potential impacts from project activities, such as involuntary resettlement, land rights, and common property resources;
- (c) the significance of social and gender issues with respect to CDB's social performance requirements;
- (d) potential conflicts associated with inequality or other negative issues attributed to project activities and expected outcomes;
- (e) the interests and influence of key social and institutional stakeholders;
- (f) the formal and informal institutions likely to impact project outcomes; and
- (g) details of the social development opportunities provided for key stakeholder participation and the likely outcomes.

Promoting Gender Equality

5.07 In recognition of the strong inter-relationships between poverty environmental degradation and gender, the Bank approved the Gender Policy and Operational Strategy (GEPOS) to pay special attention and commitment to reduce gender inequality by screening and assessing gender impacts in all its operations, to ensure that the findings from these assessments are incorporated in the design of all its interventions such that they reduce any gender specific and disproportionate adverse gender impact and promote improved gender equality.

Consultation and Participation

5.08 Stakeholder engagement, meaningful public participation and consultations are encouraged throughout the project cycle. CDB requires the Borrower to provide evidence to demonstrate that there has been "meaningful consultation and participation" of affected persons for projects requiring comprehensive environment and social impact studies, and that there be full disclosure of the findings of these studies. "Meaningful consultation and participation" requires that this was preceded by satisfactory stakeholder analysis and provided for:

- (a) engagement and participation of stakeholders (including representative bodies and civil organisations), in the project preparation stage, and is carried out throughout the project cycle;
- (b) timely disclosure of relevant and adequate information in a form that can be easily understood accessed by affected people;
- (c) respect of the culture and knowledge practices of vulnerable groups and communities;
- (d) undertaking in an atmosphere free of external manipulation, coercion and intimidation;
- (e) gender inclusive and responsive;
- (f) facilitating expression and incorporating the views of the affected people and other stakeholders in project design decision-making; and
- (g) sharing of development benefits and opportunities.

Grievance Redress Mechanisms

5.09 A Grievance Redress Mechanism provides a process to efficiently and effectively respond and resolve problems and or address queries or clarifications that arise during project implementation. The need for and the design of the mechanism should be scaled to the level of potential risks and adverse impacts identified in the project design. The mechanism should be adequately resourced, easily accessible, culturally appropriate and transparent. They are best designed with participation of the affected communities, to encourage ownership and should be established early as part of the overall project management system instead of later during implementation as a reaction to problems. The Borrower shall identify a grievance mechanism that provides people affected by projects supported by the Bank with an accessible, transparent, fair and effective process for receiving, evaluating and addressing complaints about environmental or social harms caused by any such project/programme throughout the project cycle. The mechanism should take into account the availability of judicial recourse that may be pre-existing, at the national, local, regional, sub-regional or institutional level or be project-specific.

5.10 All complaints regarding projects/programmes supported by the Bank can also be filed using the following address: ESRP_BANK SECRETARY@caribank.org.

Environmental and Social Standards

5.11 The findings of the environment and social assessment process must, at a minimum, satisfy the Borrower's national legislative requirements. However, CDB requires that they reflect international best practices and standards with respect to process and methodologies, as well as meet the PR of the ESRP. Reference to environmental standards may be for national legislation or regulatory guidance. CDB recommends the use of international best practice guidance documents such as:

- (a) The World Bank Group Environment Health and Safety Guidelines and Best Available Technology Reference Documents: European Commission-Joint Research Centre.
- (b) Environmental management standards should reference environmental management systems such as ISO1400 series of standards or equivalent. Guidance on social issues should reference guidance material from the international core labour standards of the International Labour Organisation.

Information Disclosure and Access to Information

5.12 CDB's Information Disclosure Policy^{3/} is based on providing disclosure, with access to the widest external audience possible, to provide the opportunity to increase public exposure and broaden stakeholder understanding of CDB's activities. This principle also applies to the environment and social assessment process. Environment and social documentation may be made available at key stages of the ESIA process in the project cycle. *For Category "A" projects* the Borrower is required to release the cleared draft report of the findings of the EIA or SIA process, as well as provide a non-technical executive summary to the public. Sufficient notice of the release of the documents and the location where they can be accessed must be given prior to formal public consultations on the findings of the draft report. A record of comments and concerns raised in the public consultations process are required to be kept as part of the official project records. The final EIA or SIA report submitted to the Bank must include a summary of the issues and concerns raised in the consultation process and provide information on how these are addressed in project design.

5.13 CDB recommends that independent third party specialists, not affiliated with the main project feasibility work, carry out ESIA for projects with major and or complex environmental and social issues.

5.14 A project will not be submitted to the Board for its consideration if the environment and social assessment is not completed to the satisfaction of the Bank.

5.15 Table 1 provides the responsibilities of the Borrower, CDB and ESU/SSD in the environmental and social review process.

6. DIRECT INVESTMENT OPERATIONS

6.01 The level and intensity of the Bank's involvement in the Borrower's project preparation activities varies depending upon the classification and specific issues associated with individual projects. Category "A" projects requiring full ESIA, including public consultations, will require more attention than Category "B" projects, that typically have more limited and routine considerations.

6.02 The findings of the screening and categorisation process are recorded in an Environmental and Social Screening Memorandum (ESSM). The ESSM is required to provide the screening category based on an assessment of potential significant environment or social issues, the information gaps which must be satisfied to meet CDB's ESRP requirements. It should indicate the type of assessment required and the analytical tools recommended. The ESSM is approved by the ESU Coordinator and or Director SSD, and environmental and social specialists are assigned to carry out the environment and social appraisal. The format of the ESSM is presented at Appendix 4.

6.03 The ESSM is appended to the Project Profile and entered into CDB's project tracking system - Project Portfolio Monitoring System (PPMS), or its successor. The Project Coordinator (PC) formally advises the Borrower of the environmental and social classification of the project and the Bank's requirements based on the ESSM.

6.04 The assigned ESU/SSD staff will work closely with the Borrower to agree on the Bank's specific environment and social assessment requirements for each project. Depending on the capacity of the Borrower, the Bank may assist the Borrower with the preparation and development of the Terms of Reference to ensure satisfaction with Bank requirements.

6.05 It is the responsibility of the Borrower to carry out the required assessment and submit the required documentation for the project. ESU/SSD staff will work with the Borrower, as needed,

^{3/} Information Disclosure Policy approved by Board of Directors, October, 2011.

throughout the report preparation stage, including participating in meetings with key stakeholders to review progress of the ESIA preparation.

6.06 For projects with the potential for significant negative environmental and or social impacts, CDB will consider the need for independent preparation or expert review of environmental and/or social documentation.

6.07 CDB may finance EIAs or SIAs and associated technical studies as a loan or TA to facilitate project feasibility. CDB will not itself carry out the EIA or execute it on behalf of the Borrower.

6.08 In cases where EIAs or SIAs have been prepared by the Borrower, prior to CDB's involvement, ESU staff will review the information presented and advise the Borrower of outstanding issues to be clarified or additional studies required to satisfy CDB's requirements.

6.09 The Borrower is responsible for the provision of the required environment and social information to facilitate project appraisal. ESU/SSD staff has responsibility for the quality and consistency of environmental and social due diligence matters throughout the project cycle. Any significant divergence between the judgment of Bank staff and that of the Borrower is clarified and agreement reached to the satisfaction of the Bank and the Borrower, before finalisation of the Appraisal Report.

6.10 ESU/SSD Operations Officers work closely with the Borrower or their representatives to review relevant documentation to ensure that environment and social issues are satisfactorily addressed and that the conclusions of the environment and social assessment process are in compliance with the Bank's PR.

6.11 The documentation submitted by the Borrower is reviewed by ESU/SSD staff for: quality, completeness and compliance with ESRP and other relevant operational policies and requirements. Staff will determine adequacy of coverage and compliance with CDB's policies and PR, taking into consideration the following:

- (a) The EIA and SIA process, including the project's compliance with national legislation or regulations, with respect to; public disclosure of information, consultation processes, compliance with permits, planning consents and labour standards.
- (b) The identification and analysis of environment and social impacts and risks and the measures recommended for avoiding, reducing or mitigating these, in keeping with CDB's PR, international accepted standards and best practices.
- (c) Consideration of alternatives with respect to project boundaries, location, site, technologies and design considerations.
- (d) The adequacy of the ESMP and the RP.
- (e) The environment and social management capacity of the Borrower with respect to its resources and expertise, policies, and procedures compared to internationally accepted "best practices" and or industry norms and standards.

Environment and Social Performance Requirements Checklist

6.12 An Environmental and Social Performance Requirements Checklist (ESPRC) is prepared by assigned ESU/SSD staff at the start of the internal appraisal review process. The Environmental and Social Safeguard Checklist provides details of the significant considerations of the project, (based on its main components), with reference to the project's compliance with the Bank's safeguard requirements. It is to be updated and fully completed by the Loans Committee review stage of the internal appraisal

process, and will reflect changes resulting from additional information provided by the Borrower or those arising from the internal review process. The ESPRC is not included in the appraisal documentation submitted to CDB's Board of Directors but is retained in the PPMS. Appendix 5 provides a template for the ESPRC.

Appraisal Report Requirements

6.13 ESU/SSD staff have responsibility to ensure that findings and recommendations of the environmental and social assessment process are integrated in the overall project design, costing, cost-benefit analyses, project management and implementation arrangements. Staff are required to prepare technical inputs from these findings as an element of the appraisal report and make all necessary adjustments to these inputs as the appraisal report progresses through the Bank's internal review process.

6.14 For projects categorised as "A" and "B", the chapter of the appraisal report that describes project rationale, objectives and scope, providing the key issues in a manner suitable for Board decision-making. It should provide a succinct summary of the project's significant environment and social impacts and risks, and indicate how these have been addressed against the Bank's PR and or industry standards and "best practices". The section should cover the following:

- (a) screening categorisation assigned;
- (b) compliance with Borrower's national legislative and regulatory framework;
- (c) present significant sustainability issues, predicted significant environment and social impacts and associated mitigation measures, and/or environmental management plan;
- (d) management capacity of the Borrower;
- (e) environment and social performance and monitoring indicators; and
- (f) arrangements for monitoring and reporting on environment, and social requirements during project implementation and operations.

6.15 For Category "A" projects a summary of the findings of the environment or social assessment studies, as well as the public consultations outcomes is prepared and included as an Appendix to the project chapter of the appraisal report. The format for the environment and social assessment summary is presented at Appendix 6. In addition, when deemed necessary, discrete summaries of the findings of natural hazard or climate vulnerability assessment studies carried out to inform the project design may be included as Appendices in the appraisal report to support the technical design of the project.

Legal Documentation

6.16 The Borrower is responsible for the effective implementation of projects financed by CDB. However, CDB may choose to attach specific environment and social clauses or conditions to the loan contract to ensure that specific environment and social requirements are adhered to during project implementation and operations, to minimise risks to the interests and negative impacts on the reputation of the Bank.

Conditions Precedent to Disbursement

6.17 Conditions precedent to first disbursement are often used to verify compliance of the Borrower with national legislation and regulatory requirements such as environment, planning and permits, or approval licenses for environmentally sensitive operations or projects in environmentally sensitive

locations such as coastal zones or protected areas. The Borrower is required to submit evidence of compliance prior to receipt of the Bank's resources on either the whole or part of the project. The condition may apply to the entire project, or may be site specific or component specific. It is important to ensure that the part of the project not covered by the environment or social condition is not in any way dependent on the satisfactory completion of environmental matters covered by the disbursement condition. These conditions effectively block disbursement of the Bank's resources, and therefore are not recommended to address issues such as the enactment of legislation or regulations that are often lengthy processes in the BMCs. If the legislation is critical to the overall project design and its successful outcomes, the preferred approach is to successfully conclude these agreements prior to presentation of the project for Board approval.

Other Conditions

6.18 These conditions usually require completion of activities or compliance or conformity within a specified timeframe, during project implementation or in the on-going operations. These conditions may address issues such as legislative and regulatory compliance not necessarily limited to the project, specific environmental performance criteria, or monitoring and reporting, and requirements. Non-compliance with these conditions in extreme cases could result in the "calling of the loan" or it may be a major factor determining future lending.

6.19 Staff will work with the Legal Department to draft the required conditions to ensure clarity of the requirements, detailed specifications or standards, and to define those having responsibility for fulfilling them such as the Borrower, a regulatory agency or a specific government department.

Supervision and Performance Monitoring and Reporting

6.20 The primary objective of supervision and performance monitoring is to identify, predicted and unanticipated changes to the physical or social environment, brought about by the project, to assess compliance with approved project design, the effectiveness of agreed mitigation measures and the overall project management execution arrangements and conditions of the loan agreement, as well as the monitoring and reporting requirements for each project are included in the project supervision and reporting plan and are included as a condition of the loan agreement. Both the Borrower and CDB will carry out performance monitoring and share the results with each other. The Borrower is responsible for implementation of the ESMP and is required to report and advise CDB on its key management and monitoring requirements, related loan conditions and of any environment and social information such as complaints or litigation pertaining to the project, even if these are not specific to the use of CDB's resources. Supervision and Performance reports shall include a section on the status of implementation of any ESMP, including those measures required to avoid, minimise or mitigate environmental social risks/and/or impacts.

6.21 ESU/SSD staff monitor the Borrower's compliance and performance in the implementation of the ESMPs, specific measurable parameters and or compensation measures and any specific environment and social loan covenants required of the Contractor, national authorities or third parties to the loan agreement. Deviations from the baseline or agreed arrangements should be brought to the attention of the Borrower, CDB's supervision PC and the Bank's management through formal supervision reports. The findings should trigger corrective action and be followed up in future reports.

6.22 The findings from ESU/SSD staff project supervision site visits and desk reviews of supervision documentation submitted by the Borrower is recorded in a supervision report in accordance with the project supervision plan detailed in the appraisal report. All environment and social supervision reports must be included in the PPMS either as a discrete report or as an element within the PC supervision report. Where the Bank deems that there are serious issues of non-compliance it may carry out a

compliance audit or establish an independent monitoring team as it deems appropriate. Appendix 8 provides further guidance on supervision reporting.

Project Completion Reports

6.23 Project Completion Reports (PCRs) document the Bank's experience in the implementation of a project, and therefore provide valuable information to guide the design and management of future projects. After the last disbursement on a project, the Borrower prepares a PCR for review by the Bank. CDB then prepares its own PCR for the project. ESU staff participate as part of the PCR project team and are responsible for providing a summary on the performance of the project, covering issues such as the:

- (a) compliance with environment and social loan conditions;
- (b) adequacy of monitoring and reporting requirements;
- (c) performance of mitigation measures; and
- (d) other significant issues which emerged during project implementation. A project is not complete even if after the last disbursement there are incomplete mitigation measures.

Ex-Post Evaluation

6.24 PCRs are used as input to ex-post evaluations carried out by CDB's Office of Independent Evaluation which reports directly to the President. Independent social and environmental expertise will be included in the team carrying out ex-post evaluation of projects. Evaluation of the social and environmental performance of a project is based on the objectives established for the project, the Bank's country strategies and other country policies, as well as relevant national policies and legislation in effect at the time of project appraisal.

7. FLEXIBLE INSTRUMENTS AND NON -INVESTMENT LENDING

Policy-Based Loans and Programme Loans

7.01 As with many other multilateral financial institutions, there has been increasing usage of instruments that support the financing of programme investments and policy-based instruments compared to the traditional, discrete project investments for which traditional ESAs are best suited. In-keeping with best practices of the wider development community, where CDB's resources are used to support a policy-based loan that includes investment financing for regional, a specific sector or an investment programme, the focus should be on the use of more strategic environment and social analytical approaches and the institutional arrangements for management of these risks relevant to the sector or programme, to ensure these are consistent with CDB's environment and social performance requirements. Where specific measures are required to meet CDB's PR these are to be addressed in the design of environmental and social management frameworks (ESMFs) to guide these operations.

Loans Based on Performance Criteria

7.02 For those loans based on performance criteria, demand driven or with multisector sub-projects such as Social Investment Funds or rural development projects, it is useful to include simple and realistic environment and social assessment procedures to manage sub-project risks within the project management structure, or the design of programme specific ESMFs. In addition, these projects provide good opportunities to facilitate increased environment and social awareness through the inclusion of components that can enhance environment and social benefits. Enhancement components could include, but are not necessarily limited to, environmental education and awareness, skills training, waste recycling,

promotion of energy efficiency and the use of renewable energy (e.g. solar power for water heating, drying of agriculture produce), and improved solid waste management.

8. PRIVATE SECTOR LENDING

Direct Lending

8.01 CDB lends directly for private sector projects in its BMCs, and environmental and social review is an integral part of CDB's decision-making for these projects. CDB understands and respects confidentiality requirements for private sector investment. The Bank will work with the Borrower to ensure that issues such as the timing and release of ESIA documentation, public consultation and stakeholder engagement activities are such that they satisfy the ESRP while respecting the need for business confidentiality because of commercial sensitivity or because the law protects it. The need for business confidentiality may present limits to full public disclosure of project information, nevertheless where issues of community engagement are critical, CDB will work with the Borrower to provide the community with sufficient information to facilitate active engagement and dialogue.

Financial Intermediary Loans

8.02 Financial intermediation is a cost-effective and efficient means of channeling the Bank resources to small and medium-sized private enterprises in the BMCs. Loans are provided as a single line of credit, to the financial intermediary (FI) which on-lends for sub-projects in areas such as agriculture, manufacturing, tourism and related services.

8.03 These transactions are categorised "FI" based on CDB's categorisation system. In these projects the Bank delegates overall responsibility of the portfolio financed to the FI. However, these operations are treated on a "case by case basis" with the Bank determining the degree of authority it will delegate to an FI for carrying out environment and social due diligence, depending on the complexity, size and nature of the pipeline of subprojects.

8.04 ESU/SSD staff are required to provide support for the appraisal of FI projects, providing the required technical inputs for the project appraisal and the review process. In the environmental and social analysis of FI loans, staff assesses and determines the FI's capacity to undertake environment and social assessment taking into account the national institutional, legislative and regulatory requirements, and the nature of the sectors and types of sub-projects that will be financed from the loan resources.

8.05 The FI and CDB staff will work together to devise an appropriate environment and social management system or procedures that will need to be in place to satisfy CDB's ESRP requirements. It is important that the systems requirements and procedures are appropriate to the nature and scale of the FI operations, and that these serve to strengthen the FI's capacity, and minimise the Bank's long-term involvement in environment and social review of sub-projects. The Coordinator ESU/SSD approves environmental and social requirement for FI projects, and assigns environmental and social staff as required for various stages of the project cycle.

8.06 In some "FI" transactions, particularly those that include education and mortgage components, it is usual for the Bank to include specific requirements to address the special needs of poor or vulnerable groups. ESU/SSD staff and the Borrower will work together to determine criteria for targeting these groups and any specific monitoring and reporting arrangements to measure performance, that might be required. A generic environment screening and scoping checklist is provided at Appendix 7, Section B.

8.07 Overall supervision of FI projects and sub-projects is the responsibility of the Borrower and PSDD's supervision staff. However, FI loan agreements may include conditions requiring CDB's prior approval for the use of CDB funds for specific sub-projects to address environmental and social issues.

The assigned environment or social staff will provide technical support to the staff responsible for supervision of the FI. The Bank may under these circumstances require the FI to ask for additional information to do more in-depth analyses of the project as deemed necessary. Appendix 7, Section C provides a generic checklist and general guidance to screen FI project proposals.

9. OTHER PROJECT MODALITIES

Expansion and Modernisation Projects

9.01 For the expansion and modernisation of projects involving an existing facility, the entire facility must undergo an EA for both the proposed and existing facilities. The EA identifies past or present concerns associated with existing facilities and environmental, health and safety risks, as well as the potential opportunities for improvement which expansion or clean up could present. Typically, EAs establish environmental baseline conditions, to determine the need for compliance with applicable performance, and safeguard standards. Where a full EA is required, the environmental assessment work can be conducted as a separate or joint exercise.

Projects Under Construction

9.02 In cases where a proposed project does not coincide with CDB's project cycle and the project is already under construction, the Bank may finance the project if the Borrower is able to demonstrate that the project will comply with the Bank's environment and social requirements under the ESRP.

9.03 For projects with on-going operations, the current baseline environmental conditions as determined through an EA or other detailed investigations should be assessed with reference to international, sector, or industry, best practices and CDB's environment and social performance standards.

Co-Financed Operations

9.04 Where projects or other activities are co-financed with other development partners and international financial institutions, CDB will work with the parties, to ensure a common approach to ensure that the environmental and social requirements are consistent with its ESRP requirements, thereby enhancing efficiency and effectiveness in the use of resources by the Borrower.

Additional Loans and Reformulation of Loans

9.05 In the period after the satisfaction of conditions precedent first disbursement, it is the Borrower's responsibility to advise CDB of any changes in the project that are material in significance. This could include changes in: project scope within individual components; and institutional or project management arrangements; as well as significant changes to the budget. CDB staff in collaboration with the Borrower will determine the significance of the changes, the adjustments that might be required, and the relevant approval authority within the Bank's management structure, or the need for re-submission for the approval of the Board. Mechanisms for such feedback and adjustments during project implementation include: information from staff supervision reports, and routine progress reports from project managers, and the supervising of consultants. Should there be changes that would significantly alter the findings of the environment or social assessment and the categorisation of the project, ESU/SSD staff will work with the Borrower to decide how best to treat these issues to satisfy CDB's PR. CDB is committed to an expeditious resolution of these issues in close collaboration with the Borrower.

TABLE 1

ENVIRONMENTAL AND SOCIAL REVIEW PROCESS IN THE PROJECT CYCLE

Project Cycle Phase	Responsibility	ESRP
Project Identification and Preparation	PC requests ESSM as part of project profile.	Coordinator, ESU assigns lead specialist based on initial review of potential environmental and social issues.
	Borrower	Provides initial environmental and social information as basis for screening and classification, including details of stakeholder engagement, as appropriate.
	ESU/SSD	Complete ESSM, including classification, ESIA documentation requirements (if any), safeguards checklist and stakeholder engagement, as appropriate.
	Coordinator, ESU or as designated by the Division Chief, Social Sector Division, Projects Department	Signs off on ESSM; confirms lead specialist (environment or social) or co-leads (environment and social) to facilitate ESIA; ESSM is entered into CDB project tracking system – PPMS.
	Borrower	Informs Borrower of ESSM requirements; ESU assists Borrower as required during the preparation phase.
	Borrower	Completes studies, plans, actions and documentation requirements set out in ESSM.
	ESU/SSD	Reviews Borrower documentation for quality and completeness against CDB’s ESRP; resolves any outstanding environmental and social issues.
Appraisal	ESU/SSD	Incorporates findings into Divisional, Departmental and Loans Committee reviews, as well as the Appraisal Report. Prepares and finalises ESPRC. The main findings are included in the “President’s Recommendation”.
Negotiations	PC assisted by Legal Counsel	Negotiates and drafts environmental and social loan covenants with the Borrower for incorporation into the Terms and Conditions of the Loan Agreement.
Board Approval		
Implementation, supervision and monitoring	ESU/SSD	Supervises and monitors environment and social performance during project implementation against agreed covenants; assesses unanticipated impacts, if any; reports on and documents status in CDB project tracking system.
Project Completion	ESU/SSD	Completes environmental and social sections of the PCR.

ENVIRONMENT AND SOCIAL PERFORMANCE REQUIREMENTS

1. POLLUTION PREVENTION, CONTROL AND MANAGEMENT

Objectives

1.01 Economic activity often generates increased levels of pollution and consumption of finite natural resources, there is recognition of the need to establish appropriate measures to protect human health and ecosystem functions, avoid, prevent, eliminate or minimise air, land, water pollution, reduce greenhouse gas emissions and promote improved resource efficiency as essential elements of improving environmental and social sustainability of projects, financed by CDB and to meet international best practice.

1.02 In-keeping with these objectives, the Borrower will identify and address how these requirements for the project will be appropriately managed, (given the nature and scale of the project geographic location and ambient environmental conditions) and taking into account financially feasible and cost effective control methods, throughout the project cycle using a discrete environment and social management system or a project specific ESMP.

Principles

- (a) Impacts from pollution and options to address these impacts identified as part of the EA or SIA and source specific emission standards followed.
- (b) Project requirements and/or standards should be determined with reference to both national standards, and to relevant internationally recognised guidelines [e.g., European Union Directives, or “good practice guidance” such as World Bank Pollution Prevention and Abatement Handbook, or World Health Organisation (WHO) Guidelines].
- (c) Where, according to the EIA, the higher standard is unrealistic, or is not technically or economically feasible, deviations should be justified within the EIA context and agreement reached between the Borrower and the Bank.
- (d) Where a country has ratified applicable international agreements, the relevant provisions taken into account in project design.
- (e) In new facilities, state of the art or cleaner and resource efficient technologies particularly for energy, water and waste minimisation (stressing prevention, rather than abatement), should be used where technically and economically feasible.

2. TOXIC AND HAZARDOUS SUBSTANCES CONTROL AND MANAGEMENT

Objectives

2.01 CDB financed projects should avoid and/or minimise risks and impacts to human health and safety, and to the environment, from the procurement, production and use, and disposal of toxic and hazardous materials and substances, including pesticides and Persistent Organic Pollutants (POPs).

Principles

- (a) Screening for use of toxic and hazardous materials and substances should occur in the ESIA context.
- (b) CDB-funded projects shall take into account international restrictions on the use of toxic substances including the Basel Convention on the transboundary movement of hazardous wastes, and the Rotterdam Convention on the “prior informed consent procedure”, and shall not finance the procurement or production of:
 - (i) pesticides in WHO, classes 1, and Ib and II, except in highly unusual cases justified in the ESIA;
 - (ii) POPs, subject to the exceptions under the Stockholm Convention;
 - (iii) where the use or production of other pesticides is to be considered;
 - (iv) pesticides in WHO, Class II should be financed only when the country has adequate capacity to train users to handle, store, and apply these products properly;
 - (v) where pesticides are a significant element of the project, the ESIA should recommend those that have negligible adverse impacts on human health, non-target species, and the natural environment [see Food and Agriculture Organisation (United Nations) and WHO guidelines].
 - (vi) the use of other hazardous materials and substances should be minimised, and where they are used or produced;
 - (vii) an ESMP, covering their transport, handling, storage, and disposal, as well as associated management and reporting practices; and
 - (viii) where production processes involve significant dangers or risks, an emergency preparedness and response plan should be prepared and potentially affected communities should be informed.

3. CRITICAL⁴ NATURAL HABITATS, BIODIVERSITY⁵ AND ECOSYSTEM SERVICES⁶

Objectives

3.01 Identify and make every use of opportunities to conserve and sustainably use biodiversity natural habitats, and as priority, maintain the benefits of priority ecosystem services and in so doing reflect the objectives of the Convention on Biological Diversity. CDB will not finance or support operations that significantly convert or degrade impacts on critical, natural, protected habitats, and will instead promote the conservation, protection and management of natural resources

3.02 These areas may be officially designated or protected under legislation of high biodiversity conservation value. These may include reserves protected by International Union for the Conservation of Nature (IUCN) Protected Areas Management Categories (1-VI), World Heritage Sites, Ramsar Convention on Wetlands, World Biosphere Reserves or areas critically important for the protection of rare, endangered, vulnerable or near vulnerable species as listed under the IUCN's Red List of Endangered Species. Impacts and mitigation measures may vary at different stages of the project and the on-going engagement of the affected parties to determine the need for changes in plans and redesigned or re-scoped. Critical habitats can include areas that are not protected or managed, or within legally protected or designated areas. Habitats may be considered critical if their ecosystem functions or species rely on or provide connectivity with other critical habitats including those legally protected or managed. For objectivity and accuracy recognised authorities may need to be consulted to determine appropriate designation.

- (a) The Borrower's obligations under international convention and associated protocols should be reviewed and considered in evaluating proposed projects.
- (b) Projects should protect natural, modified and critical habitats and avoid converting or degrading critical natural habitats and protected areas, biodiversity, and sites of significant cultural importance.
- (c) Projects should be designed to conserve biological diversity, sustain the availability of priority ecosystem services or to use it sustainably and promote fair and equitable share benefits derived from its use with affected communities to sustain project benefits.

^{4/} Critical habitats are defined as natural or modified habitats with high biodiversity value that may include regionally significant and or highly threatened or unique eco-systems, habitats important to globally significant concentrations of migratory species.

^{5/} Biodiversity is "the variability among living organisms from all sources including, *inter alia*, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species and of ecosystems" (The Convention on Biological Diversity)

^{6/} Ecosystem services are the benefits people can get from ecosystems. These include: (i) provisioning services such as food, fishwater, wood, fuel; (ii) regulatory services such as flood regulation, water purification and climate regulation (iii) cultural or non-material benefits such as aesthetic, recreational spiritual and (iv) natural processes that maintain other services such as soil formation nutrient cycling and primary production.

- (d) The Bank will not knowingly support operations that introduce invasive species.
- (e) Where the ESIA process concludes that there are no acceptable alternatives, project benefits outweigh environmental costs, and it is vital to public interest to proceed with the project, compensatory mechanisms and management plans will be built into the project design. This may include measures to minimise habitat loss, establish and protect an ecologically similar area, and provide for its sound management.
- (f) Where the primary objective of a project includes the extraction of renewable natural resources such as commercial harvesting of forests, plantation forestry, agriculture, animal breeding or aquaculture, the project must demonstrate that these resources are to be managed in a sustainable manner, with preference for internationally recognised systems of certification of sustainable management and use. Projects in forest areas should be accompanied by a management plan that provides for the conservation of natural habitats.

4. CULTURAL PROPERTY AND HERITAGE

Objectives

4.01 Cultural resources are a source of valuable historic and scientific resources for socio-economic development, cultural identity and continuity. Physical cultural heritage refers to movable or immovable objects sites, structures, cultural or sacred spaces that may be associated with natural or man-made features that could have paleontological historical, archaeological, religious or cultural significance. It may also include intangible expressions such as knowledge, practices, skills or expressions that may be transmitted from one generation to another. CDB financed operations will be guided by applicable international conventions ratified by the Borrower as well as by national legislation and regulations to avoid adverse impacts on cultural resources. The application of this requirement is designed to promote awareness and appreciation, encourage their protection, conservation and sound management and applies whether the cultural heritage has been legally protected, internationally recognised or previously disturbed.

Principles

- (a) Projects should avoid alteration, damage, removal or destruction to cultural property designated as having local, national, or international significance, and should encourage its conservation and enhancement.
- (b) Where projects may have an impact upon cultural property, on-site investigation should be carried out, and relevant national groups and organisations should be consulted as part of the ESIA process in order to identify the extent and significance, of resources that may be affected, and to develop appropriate mitigating measures and management plans.
- (c) Where no alternatives are feasible, and significant cultural property may be damaged or destroyed, such resources should be salvaged, if possible, and/or fully documented before development begins.

- (d) There is recognition that during project implementation cultural heritage may be discovered and encountered unexpectedly, provisions should be made for the management of these “chance finds”. This must include procedures for alerting project management officials, notification to appropriate competent bodies consistent with national legislative and regulatory requirements, securing the area to prevent damage or further disturbance, assessment by qualified specialists.
- (e) Where a country has ratified international conventions, consideration will be given to assisting BMCs to meet their obligations under the convention.
- (f) Projects should also not permanently interfere with existing access to and use of physical and cultural resources, and may therefore require studies and consultations with affected people, to make required adjustments to project design to accommodate these considerations.

5. DIRECTLY AFFECTED COMMUNITIES

Objectives

5.01 To avoid or minimise adverse impacts on communities directly affected by development projects and ensure that they benefit from projects that affect them.

Principles

- (a) Where project screening determines that significant adverse social impacts are possible, qualified specialists should carry out an appropriate impact assessment.
- (b) Physical impacts resulting in a deterioration of income or welfare, and/or significant adverse impacts on a community's culture, or way of life, should be minimised and mitigated to the extent feasible.
- (c) Measures should be incorporated into the project to ensure that communities adversely affected by development projects also benefit from them.
- (d) Adversely affected groups should be engaged, in an inclusive and gender-responsive manner, about project impacts, and have a voice in determining mitigation measures and project benefits.

6. VULNERABLE GROUPS

Objectives

6.01 To avoid adverse impacts upon groups that may be disadvantaged in the development process by virtue of their age (children and the elderly), ethnicity, religion, culture, gender, physical and mental ability or way of life. In development projects financed by the Bank, likely to have significant impacts on vulnerable groups, especially those below the poverty line, the landless, the elderly, women and children, the disabled, and Indigenous Peoples (IP). Particular attention should be given to these groups to ensure that they are not disadvantaged and at a

minimum restore their livelihoods in real terms relative to pre-project levels; and or enhance and improve their standards of living.

Principles

- (a) Adverse impacts resulting from the location or design of the project should not fall disproportionately on the disadvantaged, excluded or vulnerable groups, or worsen their situation in relation to others.
- (b) Where adverse impacts are expected, they should be minimised and mitigated to the extent feasible.
- (c) Where such groups may be present, specific measures should be taken to:
 - (i) identify groups which are vulnerable or disadvantaged;
 - (ii) involve them in culturally appropriate gender inclusive and responsive ways in assessing impacts and proposing mitigation measures; and
 - (iii) ensure that their views and preferences are known to decision makers, and where possible reflected in project design.
- (d) Intended mitigation measures and proposed project benefits should be socially and culturally compatible, and they should be determined in discussion with affected groups.

Indigenous Peoples

6.02 There is no universally accepted definition of IP, therefore under this performance requirement, during the environmental and social screening process, there may be need to establish on a “case by case” and “country by country” basis, (using expert independent advice) the existence of Indigenous Peoples. These groups may have or hold distinct identities, and cultures, separate from dominant national groups and their social and legal status may be such as to limit their capacities to defend their interests and rights, and therefore their ability to fully participate in and benefit from development.

6.03 Once established, special consideration will therefore be given to avoid adverse impacts or minimise impacts on IP, to avoid their physical relocation, or which will result in significant impacts on their culture and livelihoods. Where significant impacts persist, or where there are opportunities to improve their social conditions or livelihoods, a specific Indigenous Peoples Development Plan (IPDP) should be developed to address these issues, using competent specialised social expertise. The scope of the IPDP will be dependent on the nature, scale of project activities and the potential impact on the Indigenous group and should identify measures to avoid, minimise, mitigate, or compensate for any adverse project impacts, identify and enhance positive impacts; provide a budget and time-bound action plan implementing the planned measures and for monitoring, grievance redress mechanism and evaluation arrangements. Every effort should be made to promote sustainable development benefit and opportunities for IP in a manner that is inclusive and culturally appropriate.

7. LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT⁷

Objectives

7.01 In recognition of the long term adverse consequences involuntary displacement or badly planned resettlement initiatives can have on people, it is required that CDB-financed project activities ensure that where unavoidable, *individuals affected*⁸ by land acquisition or involuntary resettlement, (including ‘squatters’) are consulted, fairly compensated for the loss of land and other assets taken for development purposes; and are able to restore their incomes and standards of living or improve them.

7.02 The displacement (relocation, loss of residential land, or loss of shelter) and economic displacement (loss of land, assets, access to assets, income sources, or means of livelihoods) as a result of (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas, whether losses and restrictions are full or partial, permanent or temporary. Given the great diversity in the scale (from one person to more than 20 households) of involuntary resettlement issues encountered in CDB’s BMCs the applicability of this performance requirement will be worked out with the Borrower on a “case by case” basis and applies to both the public and private sector. This performance requirement **does not apply to victims of natural disasters or to resettlement resulting from voluntary land transactions.**

Principles

- (a) Involuntary resettlement should be avoided or minimised where feasible.
- (b) Re-settlement should be based on a Resettlement Plan Survey developed in consultation with the affected people. The Plan elements should include; a description of project elements requiring land and defining the affected area, baseline socio-economic studies (in-line with international standards), a population census and inventory of assets, socio-economic characteristics including conditions of vulnerability of the affected persons. It should clearly define where available relevant government procedures and a cut-off date for eligibility acceptable to the Bank.
- (c) A Re-settlement Action Plan should be developed that will include a description of the assistance and compensation to be provided, compensation procedures, institutional responsibilities, an implementation plan, grievance redress mechanism, budget, and monitoring and reporting requirements. The census must include a cut off date to discourage inflow of people who are ineligible.

^{7/} Resettlement is determined to be involuntary when the affected people are not in a position to refuse the activities that will lead to their physical or economic displacement. It should be noted that economic displacement refers to loss of assets, restriction of access to assets and or loss of income sources or livelihoods.

^{8/} Affected individuals may have (i) formal rights to land or assets recognised under national law; (ii) may not have formal recognised legal rights but can prove claim under customary law in existence at the time of displacement or (iii) recognisable legal right having had occupancy to the project area for a minimum of six months prior to the “cut-off-date” census of affected people and may be entitled to resettlement assistance, rather than compensation.

- (d) The criteria for compensation for land and other assets should be clear, standardised and transparent, based on replacement value at the time of relocation. Assets may not necessarily be economic and may have social and cultural value such as sacred sites or community structures.
- (e) In addition to compensation, resettlement assistance should be provided, if necessary, to facilitate income restoration.
- (f) Directly affected groups, including those receiving re-settled groups, (host populations), should benefit from the project, and be consulted on decisions that affect them, including selection of benefit options, development packages, and mitigation measures. Particular attention should be paid to ensuring the interests of both women and men, the elderly and handicapped have been fully taken into account.
- (g) Income restoration should build on the experiences and preferences of displaced people, and benefits should be socially and culturally appropriate.
- (h) Provisions should be made for culturally appropriate consultations (including gender), participation and grievance dispute redress mechanisms. These should also provide for effective dissemination of information, reasonable time schedule for public hearings and review, to allow opportunity for timely feedback from affected people.
- (i) The full costs of resettlement activities necessary to achieve the objectives of the project are included in the total costs of the project. The costs of resettlement, like the costs of other project activities, are treated as a charge against the economic benefits of the project, and any net benefits to resettlers are added to the benefits stream of the project.
- (j) The Borrower is responsible for adequate monitoring and evaluation of the activities contained in the resettlement instrument (resettlement plan/policy framework). The Bank may choose to help to supervise resettlement implementation to determine compliance with the instrument. Upon completion of the project, the Borrower undertakes an assessment to determine whether the objectives of the instrument have been achieved. If the assessment reveals that these objectives may not be realised, the Borrower should propose follow up measures that may serve as the basis for continued Bank supervision, as the Bank deems appropriate.
- (k) The project is required to guarantee that affected people receive the promised compensation packages ahead of project implementation, including the clearing of rights-of- way.

8 COMMUNITY WORKER HEALTH AND SAFETY

Objectives

8.01 The Borrower will provide workers with a safe and healthy environment, ensuring that risks (biological, physical, chemical or radiological) associated or inherent to the particular sector

are: identified, avoided, mitigated or controlled. In addition, steps will be taken to prevent accidents, injury and disease arising from work that present potential hazard to workers through the provision of personal protective equipment, controls to avoid or minimise risks, as well as having in place appropriate emergency response plans and procedures.

8.02 The Borrower will also assess and identify potential risks to safety of affected communities during all phases of the project cycle to both natural and accidental hazards. The approach will be based on favouring prevention or avoidance of risks and impacts to minimisation or reduction.

Principles

- (a) Employment practices should be, at a minimum, consistent with the laws of the country including, but not limited to, the principle of non-discrimination on the grounds of sex, as well as measures to prevent harassment, intimidation, and/or exploitation, especially in regard to women.
- (b) Children and youth should not be employed in any capacity which could cause them harm or detract from educational requirements reflected in international convention and national laws.
- (c) Projects should not use involuntary, forced, coerced labour or facilitate human trafficking.
- (d) ESIA screening should consider occupational health and safety where there are significant risks or the danger of injury, (from noise, pollution, accidents or disease transmission). ESIA should also give attention to specific risks for women's health and safety, hazardous materials, traffic and road safety including safety from sexual and gender-based violence. Recommended risk management measures should be included in the ESMP.
- (e) The Borrower must have the training and resources to be prepared and be able to respond to accidents and emergency situations in keeping with an approved emergency response plan and associated procedures.
- (f) Affected communities must be made aware of the significant potential hazards that they face, and the emergency response plans and arrangements in place for their safety.
- (g) The Borrower will apply preventative and protective measures and apply standards consistent with good international practice such as the World Bank Group's Community Health and Safety Guidelines.

SCREENING AND CATEGORISATION OF PROJECTS

1.01 ESU specialists determine the project classification following project screening and scoping, and as one element in the ESSM completion process. A single category is assigned to each project to reflect the issue(s) with the greatest potential to result in environmental or social impacts. The process is graphically depicted in Figure 1, below.

1.02 Emergency Relief Grants and Immediate Response Loans do not require environmental and social review. Emergency Rehabilitation Loans are subject to the normal environmental and social review, with increased emphasis on risk and vulnerability to ensure that existing vulnerabilities are not rebuilt. The following list is for illustrative purposes, and is intended to provide examples only.

1.03 **Category A Projects:** Projects with the potential for diverse, unique, irreversible or otherwise significant adverse environmental or social impacts. Examples include:

- (a) large-scale agriculture including livestock farming;
- (b) agro-industries including aquaculture;
- (c) Fisheries development;
- (d) large-scale infrastructure, including roads, sanitation, irrigation or water supply;
- (e) large-scale tourism developments including hotels and water parks;
- (f) ports, harbours and marinas;
- (g) airports;
- (h) forestry and forestry industries;
- (i) waste management facilities;
- (j) industrial plants and industrial estates;
- (k) storage facilities for petroleum, petrochemical or chemical products;
- (l) thermal power;
- (m) large scale hydro power;
- (n) rural electrification (large scale);
- (o) dams and impounding reservoirs;
- (p) mining and mineral processing;
- (q) oil and gas developments including pipelines;
- (r) large-scale land tenure, reclamation or conversion of previously undeveloped land;
- (s) projects with potential impacts to environmentally sensitive areas such as coral reefs, mangrove swamps, and areas protected by national or international law;

- (t) projects requiring resettlement including the regulation of informal settlements or significant economic displacement, or with potential adverse impacts to vulnerable groups;
- (u) human development projects (education, health, skills training, youth development); and
- (v) rural development, rural enterprise, shelter development.

1.04 **Category ‘B’ Projects:** Projects with the potential for limited adverse environmental or social impacts that are readily identified, and for which mitigation and management measures are known and available. Examples include:

- (a) small-scale rehabilitation, modernisation or expansion activities associated with existing facilities;
- (b) road maintenance activities and construction of feeder roads;
- (c) public facilities including schools, housing developments and small-scale hospitals;
- (d) small-scale municipal infrastructure such as water supply and sanitation projects;
- (e) rural electrification (small scale);
- (f) small enterprise development;
- (g) renewable energy development (excluding large scale);
- (h) telecommunications networks; and
- (i) tourism infrastructure development.

1.05 **Category ‘C’ Projects:** Projects with little or no potential for adverse environmental or social impacts. Examples include:

- (a) education programmes not including infrastructure, which can catalyse profound transformation in mindsets with respect to the perception of human rights and capabilities, and their relations with poverty and inequalities;
- (b) health programmes, (not including hospital buildings and construction);
- (c) feasibility studies;
- (d) institutional development; and
- (e) general technical assistance activities.

1.06 **Category ‘FI’ Projects:** Projects where resources are channelled through a financial intermediary for financing sub-projects in the private sector, such as agriculture, industry or tourism.

CDB – PROJECT EXCLUSION LIST

TYPE OF ACTIVITIES	TYPICAL EXAMPLES AND CLARIFICATIONS
<p>Ammunition and weapons, Military/Police equipment or infrastructure.</p> <p>Radioactive Materials.</p>	<p>Radioactive material does not apply to quality control (measurement) equipment where it can be demonstrated that the radioactive source is to be trivial or adequately shielded.</p>
<p>Projects which result in limiting people's individual rights and freedom, or violation of human rights.</p>	<p>Non-compliance with fundamental principles and rights at work International Labour Organisation.</p>
<p>Projects unacceptable in environmental and social terms.</p>	<p>Projects that significantly degrade protected areas, critical habitats and heritage sites, without adequate compensation/mitigation.</p> <p>Materially significant unmitigated negative impacts on the environment of sensitive social groups for example, poor indigenous peoples.</p>
<p>Activities prohibited by national legislation, regulations or ratified international conventions.</p>	<p>Genetically Modified Organisms (GMOs); abortion clinics; nuclear energy; etcetera. Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).</p> <p>Pesticides, herbicides, ozone depleting substances subject to international phase out or bans defined by the International Convention on the Reduction and Elimination of Persistent Organic Pollutants and the Rotterdam, Stockholm Conventions and Montreal Protocol Lists.</p> <p>Trans-boundary trade in waste or waste products defined under Basel convention and except for non-hazardous waste bound for recycling.</p>
<p>Ethically or morally controversial projects.</p>	<p>Sex trade and related infrastructure, services and media; animal testing*, gambling and related equipment, hotels with in-house casinos, tobacco (production, manufacturing, processing and distribution) alcoholic beverages excluding beer and rum.</p>

ENVIRONMENTAL AND SOCIAL SCREENING MEMORANDUM

1.01 This ESSM is completed by ESU staff at project initiation in consultation with PC for transmittal to the Borrower. The Coordinator, ESU appoints the lead professional, (environmental or social and gender, depending upon the project-specific mix of issues and those with the greatest potential for impacts) who facilitates ESSM completion. Once approved by the Coordinator, the ESSM is entered into the CDB project tracking system [PPMS or its successor].

Project Title

ENVIRONMENTAL AND SOCIAL SCREENING SUMMARY	
Category Assigned	Specific Requirements
A	See 4 (below)
B	See 4 (below)
C	Not Applicable
FI	See 5 (below)

Project Description

Project Sector: Project components (including area of influence and associated facilities, if any): [Project location (append map, if available)].

Project Screening

Environmental Information Available: Potential environmental issues identified.

Social Information Available: Potential social issues identified.

Gender Information Available: Potential gender issues identified.

Environmental and Social Category Assigned (A, B, C, FI): Rationale for assigned category.

Specific ESIA Requirements for Category A or B Projects:

- (a) ESIA Instrument (ESIA, ESMP, EA).
- (b) Specify applicable environmental and social standards or guidelines (e.g. national requirements, World Bank Pollution Prevention Abatement Handbook, etc.).
- (c) Safeguards Checklist required? (y/n). If so, append (see Appendix 5).
- (d) Resources (expertise, sex-disaggregated data, capacity building events) allocated for conducting:
 - (i) poverty analysis (y/n);
 - (ii) social analysis (y/n); and
 - (iii) gender analysis (y/n).
- (e) Public consultation/stakeholder engagement required? (y/n). If so, specify.

Specific Requirements for FI Projects

- (a) Adequacy of Borrower’s environmental and social capabilities:
 - (i) policies;
 - (ii) management systems;
 - (iii) staff experience (overall); and
 - (iv) staff experience (re: sub-project screening; see Appendix 7): Additional training required? (y/n). If so, specify.

1.02 Specify Borrower’s capability to manage any ‘red flag’ environmental and social issues identified on sub-projects. (Include Borrower’s actions with respect, both to its Borrower and, to CDB to manage any such risks).

1.03 Overall, compliance with national laws and regulations of BMCs, including environmental and social requirements, is required for all projects and activities financed by CDB. Where national requirements in environmental and social areas are absent or under development, CDB uses the following rules, best practice and directives as reference documents:

- (a) World Bank Safeguard Policies.
- (b) International Finance Corporation’s (IFC) Performance Standards.
- (c) Environmental Assessment Sourcebooks, and associated Updates.
- (d) Pollution Prevention and Abatement Handbook, World Bank Group.
- (e) Fundamental Principles and Rights at Work (ILO).
- (f) United Nations Universal Declaration of Human Rights.
- (g) United Nations Convention on the Elimination of All Forms of Discrimination against Women.
- (h) Internationally accepted, good practice in specific sectors, e.g. guidance published by internationally recognised professional associations.
- (i) Inter-American Convention on the Prevention, Punishment and Eradication of Violence Against Women – Convention Belem do Para.

1.04 For Category “A” projects, the ESIA lists all applicable environmental and social regulations and standards, including any multilateral agreements that the BMC has adopted. The project’s compliance status with each is also assessed.

ENVIRONMENT AND SOCIAL PERFORMANCE REQUIREMENTS CHECKLIST

ESPRC SUMMARY					
PERFORMANCE REQUIREMENT	Applicable to Project? (Y/N)	Acceptability Requirements			Comments on Project Risks
		Environmental Impact Assessment (Y/N)	Social and Gender Impact Assessment (Y/N)	ESMP (Y/N)	
A. POLLUTION PREVENTION, CONTROL AND MANAGEMENT					
B. TOXIC AND HAZARDOUS SUBSTANCES CONTROL AND MANAGEMENT					
C. NATURAL HABITATS AND BIODIVERSITY CONSERVATION					
D. CULTURAL PROPERTY AND HERITAGE					
E. DIRECTLY AFFECTED COMMUNITIES					
F. VULNERABLE GROUPS					
G. LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT					
H. COMMUNITY WORKER HEALTH AND SAFETY					

ENVIRONMENTAL AND SOCIAL PROJECT DOCUMENTATION

1. CONTENTS OF AN ESIA REPORT

1.01 The ESIA focuses on important issues, and reporting may be customised to particular problems. However, a full ESIA report typically includes the following sections.

Executive Summary

1.02 A highlight of the main findings and recommended actions of the ESIA related to the operation's environmental and social feasibility.

Project Description

1.03 Provide a concise description of the proposed operation; including maps and diagrams of the project site, its area of influence, and any associated facilities. Provide details of the relevant policy institutional and legal framework.

1.04 A discussion of the policy, institutional, legal, environmental, social and gender framework associated with the project, including any project specific legal, (e.g., concession contracts, etc.), or other requirements.

Baseline Data

1.05 Provide a description of the existing environmental, social and gender conditions relevant to project decision making, both at the proposed project site(s)/location(s) and within its area of influence.

Impacts and Risks

1.06 Provide analysis of the direct, indirect cumulative environmental, social and gender impacts and risks. It should include opportunities for enhancing environmental and gender benefits. Provide an evaluation of the quality of available data and other key information and data gaps.

Analysis of Alternatives

1.07 A summary description and evaluation of the alternatives considered, the rationale for selecting the proposed alternative, and a description of its impacts.

Recommendations

1.08 Gives options and recommendations to prevent, avoid, reduce, mitigate, eliminate, or compensate for any adverse impacts of the selected alternative.

2. ENVIRONMENTAL AND SOCIAL MANAGEMENT PLANS

2.01 Defines the mitigation and monitoring requirements, and includes the specific tasks, schedule, and the budget for implementing, supervising and monitoring the environmental and social impact mitigation and management measures.

Capacity Building

2.02 Provisions for capacity building, incorporated into the management plan, when institutional capacity is not sufficient to carry out the key activities.

Monitoring

2.03 Defines the monitoring, reporting and evaluation requirements during project execution of the operation and thereafter.

Record of Consultation

2.04 A record of the process and a summary of the results of consultation with affected groups.

3. CONTENTS OF AN ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN

Summary of Potential Impacts

3.01 Summarises the potential environmental and social impacts which must be mitigated, as well as potential enhancement measures.

Planned Mitigation Measures

3.02 Describes the planned mitigation measures in relation to the impacts and conditions under which they are required; includes environmental assessment process to be conducted in case of major changes in project scope; and sets out clear and achievable targets and indicators for the level of mitigation to be achieved.

Monitoring Programmes and Parameters

3.03 Provide environmental performance indicators, parameters to be measured, methods to be used, sampling locations and frequency of measurements, detection limits and thresholds to signal the need for corrective actions.

Public Consultation

3.04 Provide a plan for public multi-stakeholder consultation during the preparation and implementation of the ESMP. The degree of consultation depends on the project and local situation, but normally includes information available in a timely manner, and in location(s), format(s) and language(s) that allow relevant stakeholders to form an opinion and comment on the proposed course of action. This process includes:

- (a) notification of local communities when project activities are going to take place, how monitoring will occur, and proposed mechanisms for feedback; and
- (b) disclosure of monitoring programme results and consultation on these findings.

Mechanisms for Feedback and Adjustment

3.05 Outlines the procedures and mechanisms that will be used to modify and reshape the project, in light of monitoring results, and the findings of consultations. A feedback mechanism should be included in the ESMP to provide for modifications to the project.

Institutional Arrangements for Mitigation and Monitoring

3.06 Define the organisational responsibilities to ensure implementation of the ESMP and the arrangements for information flow and coordination between responsible agencies. It also specifies the organisations and individuals that will be responsible for these tasks including enforcement of remedial actions. It should also describe the institutional responsibilities for staffing, training, and the provision of counterpart funding.

Measures for Capacity Building

3.07 Proposes any required institutional strengthening measures necessary to achieve these tasks, including the formation of new structures responsible for monitoring and reporting, as required; the recruitment of new staff and consultants; and associated training. A third party may be contracted for monitoring activities where the capacity of local authorities is limited.

Responsibilities for Reporting and Review

3.08 Specifies reporting responsibilities of contractors, Borrowers/sponsors, local authorities, and lenders; and clarifies who prepares, submits, receives, reviews, and approves key reports. The structure, content, and timing of reporting should be specified and should facilitate supervision by CDB.

Implementation Schedule and Work Plan

3.09 Provide details on the timing, frequency, and duration of mitigation measures and arrangements for monitoring and reporting. The responsibilities and requirements of contractors are to be clearly described and integrated into bidding/contract documents, to ensure that contractors are clear about their obligations. Where supervision identifies inadequacies in implementation of agreed actions, such documents provide a basis for enforcement and reporting.

Cost Estimates

3.10 All costs for implementation of the ESMP, including operation and maintenance, should be included as a budget.

Environmentally Responsible Procurement

3.11 When mandated by the Borrower or CDB, a description is provided in the ESIA of the measures that need to be taken into account to facilitate environmentally responsible procurement.

4. SAMPLE TABLE OF CONTENTS FOR AN ENVIRONMENTAL AUDIT REPORT

Executive Summary

4.01 Overview and summary of items below:

Nature of the Proposed Project

- (a) Context of the Audit.
- (b) Description of Processes, Facilities and Assets.
- (c) Facility Location and Description of Environs.
- (d) Facility and Site History.
- (e) International/National/Local Regulatory Requirements.
- (f) Applicable World Bank Guidelines/European Union Directives/Other Requirements and Standards.

Corporate Environmental, Occupational Health, Safety and Social Management

- (a) Environmental, Occupational Health and Safety Policies and Procedures.
- (b) Organisation of Environmental, Health and Safety Management.
- (c) Contingency Planning and Emergency Procedures.
- (d) Staff Training and Supervision.
- (e) Internal Employee Consultation Procedures/Practice.
- (f) External Information Sharing and Dialogue with Civil Society.

Environmental Management at the Company/Facility Level

- (a) Inputs, Products and Waste Streams, (subdivide as appropriate):
 - (i) Raw Materials Consumption and Source (where appropriate).
 - (ii) Water Consumption and Source.
 - (iii) Energy Consumption and Source.
 - (iv) Intermediate Products.
 - (v) Effluents.
 - (vi) Air Emissions.
 - (vii) Greenhouse Gas Contribution.
 - (viii) Solid and Hazardous Wastes.
 - (ix) Noise and Vibration.
 - (x) Electromagnetic fields.
 - (xi) Radiation
- (b) Process Efficiency.

- (c) Materials Handling and Storage.
- (d) Disposal of Wastes.
- (e) Management of Hazardous Materials, (including Polychlorinated Biphenyls, (PCBs), and Asbestos).
- (f) General Housekeeping Issues.
- (g) Soil and Groundwater Contamination.
- (h) Current Environmental Monitoring Activities.
- (i) Regulatory Compliance Status.
- (j) Expenditures on Environmental Management:
 - (i) Capital Cost/Project Finance;
 - (ii) Operations and Maintenance.
- (k) Natural environment (for example, buffer zones).
- (l) Eco-labelling, product attributes, certifications.

Health, Safety and Social Aspects at the Company/Facility Level

- (a) Occupational Health, Safety and Social Issues.
- (b) Current Health, Safety and Social Monitoring Practices.
- (c) Community Health Exposure.
- (d) Regulatory Compliance Status.
- (e) Impact on Community Development.
- (f) Expenditures on Health, Safety and Social Issues:
 - (i) Capital Cost/Project Finance;
 - (ii) Operations and Maintenance.

Conclusions and Recommendations

- (a) Regulatory Compliance.
- (b) Process Efficiency and Environmental Opportunities.
- (c) Environmental Management Issues.
- (d) Health and Safety Issues.
- (e) Stakeholder Dialogue and External Reporting.
- (f) Environmental, Health, Safety and Social Performance Monitoring.
- (g) Consolidated Environmental, Health, Safety and Social Action Plan/EMP.
- (h) Community Development Issues.

Appendices

- (a) Photo/Video Log pertaining to site visits.
- (b) Copies of permits, laws and regulations.
- (c) Records of community consultations.
- (d) Environmental, occupational health, safety and social performance monitoring protocols.

PRESENTATION OF ENVIRONMENTAL AND SOCIAL INPUT IN THE
APPRAISAL REPORT FOR CATEGORY “A” PROJECTS

1. ENVIRONMENT AND SOCIAL SUMMARY

(a) **Project Concept and Rationale**

Rationale for project concept and design including a discussion of project alternatives and reasons for chosen design.

(b) **Baseline Conditions of Project Area and Project Beneficiaries**

(i) Baseline environmental and social information on project area and beneficiaries.

(ii) Legal, and institutional framework and the specific considerations of relevance to the project.

(iii) Discuss the environmental management capacity of the Borrower.

(c) **Environment and Social Impact**

(i) Discuss significant negative and beneficial environment and social issues and risks, context ensuring that the key issues relevant to board decision-making are included. What are the appropriate environmental and social standards referenced?

(ii) Summarise the requirements of the ESMP including a discussion of the required performance standards and any associated loan conditions.

(d) **Environmental Monitoring Requirements**

Detail the environment and social monitoring requirements and indicators together with associated monitoring and reporting requirements.

(e) **Conclusion**

Conclude with a judgment about the overall acceptability of the project.

2. ENVIRONMENTAL OR SOCIAL INPUT CATEGORY “A” AND “B” IN THE
PROJECT CHAPTER

(a) Brief description of the project’s environment and social context ensuring that the key issues relevant to board decision-making are included. For example what PR are triggered? For example is it close to or in a national park or protected area, were stakeholder consultations carried out for a Category A project?

- (b) Refer to Borrower's national environment and social requirements such as legislation and policies.
- (c) Describe the main environmental and social impacts, (positive and negative), making the distinction between construction and operations. Describe the main mitigation measures included in the ESMP.
- (d) Conclude with a statement of acceptability with CDB PR based on the ESPRC.

ENVIRONMENTAL AND SOCIAL SUPERVISION OF INVESTMENT PROJECTS

1.01 Project supervision aims at ensuring the Borrower's compliance throughout the project cycle, with the approved project design and terms and conditions of the loan agreement. The legal documentation, (loan or grant agreements, bidding documents and related contracts), provide the primary framework to support and enforce supervision. During supervision, the Borrower is responsible for undertaking performance monitoring in accordance with the EMP, and for reporting these to the Bank. The Project Supervisor in the Bank has the pivotal role in project supervision and confirms the project's progress reports submitted by the Borrower, and ensures that these are in keeping with the agreed supervision and implementation schedules.

Project Supervision Plan

1.02 In preparing a supervision plan for a project, consideration to the following should be critical to its design;

- (a) Magnitude and significance of impact;
- (b) Uncertainties associated with predicted impacts;
- (c) Past experience of similar projects within sector, country or executing agency;
- (d) Institutional complexities and capacities that may be involved in project implementation;
- (e) Availability of specialist skills in the Bank, country or Region.

1.03 For Category "A" projects, the assigned Environment or Social Officer should ensure participation in at least one annual supervision field visit. For Category "B" projects assigned staff need to make a determination of the need for field visits with the assigned supervising Project Coordinator (PC).

1.04 For Projects with multiple sub-projects, environmental supervision report should consider the following:

- (a) Promotion of environmental and social enhancement project sub-components. Are there specific targets for these components?
- (b) The capacity and terms of reference for the staff required to support environment and social issues.
- (c) The quality of reporting on environment and social concerns in supervision reports.
- (d) Are the current sub-project appraisal forms and procedures relevant and appropriately used?
- (e) The use of practical indicators in sub-project appraisal and supervision.
- (f) Are there formal linkages with the project management unit and the national environment and social institutions responsible for wider national policies and programmes?

Implementation Progress Rating for a supervision report may be as follows:

Highly Satisfactory

Environmental/social components are implemented in a timely and satisfactory manner.

Satisfactory

Implementation of the critical aspects of the environmental/social components is proceeding in a timely manner. There are some with certain aspects, (stating what these are), but these are not undermining the progress of implementing the other components, these are being addressed, (state how), by the Borrower and the implementing agency.

Unsatisfactory

There are major problems in implementing some or all of the environmental/social requirements of the project, including aspects critical to the success of the overall project. Provide recommendations on how these will be addressed.

Highly Unsatisfactory

As in “Unsatisfactory”, but problems have not been addressed. State why, and provide appropriate recommendations to the Project Supervisor.

ENVIRONMENTAL AND SOCIAL ANALYSIS OF FINANCIAL INTERMEDIARIES

1. ENVIRONMENTAL MANAGEMENT CAPACITY OF THE BORROWER

1.01 The capacity of the Borrower to carry out environmental and social due diligence against CDB's PR is assessed. In addition an assessment is also made of the national capacity for managing environment and social risks, and the supporting national regulatory and legislative framework of the BMC.

1.02 The assessment of the Borrower environmental and social management should consider a range of factors including: board mandated policy on these issues, existence of formalised procedures, staff trained and staff designated with responsibilities for these issue, knowledge of regulatory requirements, use of specialised services, Environmental, Health and Safety (EHS) training activities, and use of environmental covenants in sub-projects, supervision of these issues at the sub-project level during project implementation of environmental management, mitigation and follow up activities. It may be useful to determine the following specific information:

- (a) Does CDB have previous experience with the Borrower?
- (b) Does the Borrower have an Environment and or Social Policy?
- (c) Does the Borrower have a Health and Safety Plan or Policy?
- (d) Does the FI have environmental and social review procedures, and how are environmental risks evaluated and assessed?
- (e) How are social issues of relevance, such as poverty and gender equality and access in special components such as student loans and mortgage schemes assessed?
- (f) Is there staff with specific responsibility for environment, health or safety issues?
- (g) Does the company have an emergency contingency plan for fires, hurricanes or other natural hazards?
- (h) Is the Borrower's current approach to environment and social due diligence applicable to the scale and nature of the investments to be financed?
- (i) Is the company in compliance with all applicable legal and regulatory environmental, social health and safety, labour laws and regulations including permits and authorisations?
- (j) Are there any past or existing environmental, social or health and safety claims, or material complaints associated with the company?
- (k) Does the FI define, limit or exclude environmental liabilities?
- (l) Is technical assistance required to develop environmental management capacity, and how can this be tailored to meet the FI's needs?
- (m) Will CDB need to be involved in environmental appraisal or supervision of some sub-projects?

2. SPECIFIC REQUIREMENTS FOR STUDENT LOANS AND SPECIAL MORTGAGE PROGRAMMES

Student Loans

- (a) Number of applicants, (last three years), (accepted and rejected).
- (b) Summary profile of applicants by:
 - (i) age group;
 - (ii) sex;
 - (iii) residence;
 - (iv) proposed programme of study;
 - (v) if applicable, current occupation and income range;
 - (vi) summary of applicants' parent(s)/guardian(s) occupation and income range; and
 - (vii) summary report on the criteria met by Borrowers from economically disadvantaged households.

Special Mortgage Component

- (a) Number of applicants, (last three years), (accepted and rejected).
- (b) Summary profile of Borrower by:
 - (i) age group;
 - (ii) sex;
 - (iii) marital status;
 - (iv) residence;
 - (v) tenure arrangement;
 - (vi) occupation;
 - (vii) number of dependents; and
 - (viii) income range.
- (c) Summary of the criteria Borrowers are required to meet.

3. GENERIC ENVIRONMENTAL CHECKLIST FOR FIs

3.01 The checklist is completed by the FI:

- (a) to determine if issues associated with the proposed sub-project require further environmental and social review to meet CDB's PR; and
- (b) to determine if further review of the sub-project is warranted by CDB.

3.02 After reviewing this checklist, the FI consults CDB as required, and advises the Borrower of any additional environmental and social review requirements that must be satisfied prior to approval of financing for the sub-project, if applicable.

(a) **Project Description**

(b) **Project Proponent:**

- (i) describe the use of funds.
- (ii) detailed description of the project location with map if available.

(c) **Permitting/Planning Requirements**

3.03 Describe the environmental permitting process for the project, and identify any applicable environmental regulations, as well as land use zoning and planning requirements. Describe the status of the project with respect to the permitting process:

Has the project received requisite planning approvals and any requisite environmental permits?

- Yes
- No
- Not applicable

Is an Environmental and Social Impact Assessment required under national regulations?

- Yes
- No
- Not yet determined

If so, specify status and adequacy.

3.04 Append a copy of any environmental and social studies undertaken for the project to this screening checklist.

Identification of Key Issues Associated with the Project:

Is this a new project or an expansion project in one of the following sectors:

- Agriculture
- Hospitality related services (e.g. restaurants, tourist attractions, etc.).
- Hotels
- Fisheries
- Mining or mineral processing.
- Oil and gas
- Waste management
- Chemicals
- Large-scale agriculture
- Civil works and infrastructure (e.g. water supply).

- Manufacturing including agro processing.
- Use of local raw materials such as flora and fauna (leaves, twine, grasses, seeds, shells).
- General Services (e.g. internet café, motor vehicle repair garages, dry cleaning, transportation, nurseries and landscaping services, equipment leases).

Is the project located in or near a sensitive area, including, but not limited to, the following?
(Identify all that apply):

- Areas protected by national law or international convention.
- Important marine areas such as coral reefs, spawning areas.
- Important seashore areas such as mangroves, wetlands.
- Areas prone to erosion.
- Areas prone to natural hazards such as flooding, hurricanes, volcanoes, earthquakes.
- Areas of high biological diversity or habitats of endangered species.
- Tropical or sub-tropical forests.
- Areas of importance to ethnic groups or other vulnerable populations.
- Areas of importance to freshwater supply including groundwater.
- Areas of archaeological, cultural or historical significance.
- Other areas of particular environmental or social sensitivity (provide detailed description).
- Unknown.

Will the project result in resettlement of local population, permanent or temporary economic displacement, significant loss of employment, and/or have adverse impacts on vulnerable groups?

- Yes*
- No
- Unknown

*If yes, describe the scale of resettlement and/or economic displacement.

Will the project result in adverse environmental and/or social impacts pertaining to the following issues during construction; operation and/or decommissioning of the project?
(Identify all that apply):

- Air quality
- Noise
- Water quality
- Fresh water supply/watershed management.
- Erosion
- Conversion of previously undeveloped land.
- Hazardous substances or hazardous wastes (e.g. PCBs).
- Contaminated land or water.
- Endangered species and/or migratory species.
- Pest management
- Health and safety
- Child labour

- Gender equality
- Loss of employment
- Other issues (please describe)
- Unknown

Is the Borrower aware of any public opposition or criticism against the proposed project?

- Yes*
- No

*If yes, describe the concerns associated with the criticism and describe any public consultation activities that have occurred with relevant stakeholders, (append extra page as necessary):

Conclude with a summary judgment of the overall environment and social acceptability of the project.

GENERAL REFERENCES

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