

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

**DRAFT
ENVIRONMENTAL AND
SOCIAL REVIEW PROCEDURES**

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ABBREVIATIONS

BMC	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
CDB	-	Caribbean Development Bank
CPAs	-	Country Poverty Assessments
CTCS	-	Caribbean Consultancy Technology Services
DAC	-	Development Assistance Committee
EA	-	Environmental Audit
EHS	-	Environmental, Health and Safety
EOV	-	Evaluation and Oversight Division
ESIA	-	Environmental and Social Impact Assessment
ESMP	-	Environmental and Social Management Plan
ESRP	-	Environmental and Social Review Procedures
ESSC	-	Environmental and Social Safeguard Checklist
ESSM	-	Environmental and Social Screening Memorandum
FI	-	Financial Intermediary
IFC	-	International Finance Corporation
ILO	-	International Labour Organisation
MDGs	-	Millennium Development Goals
PC	-	Project Coordinator
PCBs	-	Polychlorinated Biphenyls
PCR	-	Project Completion Report
POPs	-	Persistent Organic Pollutants
PPMS	-	Project Portfolio Monitoring System
PSDD	-	Private Sector Development Division
PRSD	-	Project Services Division
SDF	-	Special Development Fund
SESIA	-	Strategic Environmental and Social Impact Assessments
TA	-	Technical Assistance
TOR	-	Terms of Reference
WHO	-	World Health Organisation

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GLOSSARY OF TERMS

TERM	DEFINITION
Affected community	Local community at risk of impacts from a project.
Alternatives	Feasible project options such as locations, facilities, procedures, or impact management tools.
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	Facilities that may not be funded or owned by the project but whose viability and existence depend upon the project and whose goods or services are essential for its operation.
Baseline data	Data used in environmental and social impact assessments to determine relevant existing conditions (social, biophysical, cultural, etc) before the project begins.
Biodiversity	An integrating concept to describe the ecosystems of the planet and its regions and locales; includes varieties of life at all levels – genetic, species and ecosystem diversity.
Borrower	Refers to those receiving direct and indirect financing from CDB's resources and applies to both grants and loans.
Categorisation	System used to describe levels of potential impacts of projects and to identify CDB requirements for social and environmental review; includes Categories A, B, C, and FI.
Chance find	A previously unknown archaeological or cultural artifact encountered during project implementation or operation; requires a management plan and handling procedure.
Climate Change	Change in climate which is attributed directly or indirectly to human activity which alters the composition of the global atmosphere and which is additional to natural climate variability.
Consultation	A two-way communication process between projects and affected communities; should be based on a plan that is culturally sensitive and provides feedback and responses.
Cumulative impacts	Combination of impacts from existing, proposed and likely future projects that would not necessarily result from individual project; requires separate cumulative impact assessment.

Disadvantaged groups	See Vulnerable groups.
Disclosure	See Information disclosure
Environmental Audit	Instrument for documenting compliance of existing activities and facilities with regulatory requirements and nature and extent of impacts, if any.
Emergency Preparedness & Response Plans	Management plans for dealing with contingencies in project processing or activities; assigns responsibilities and defines procedures for responding.
Environmental & Social Impact Assessment (ESIA)	Evaluates a project's potential environmental and social risks and impacts in its area of influence and identifies ways of improving project design and implementation by preventing, minimising, mitigating and compensating for adverse environmental impacts and enhancing positive impacts.
Environment and Social Risk	The possibility that environmental, social, health and safety, governance or specific factors may affect environmental and social sustainability of the operation.
Environmental & Social Review Procedures (ESRP)	Procedure for the environmental and social review of projects at CDB; applies throughout CDB's operations and across all sectors and programmes.
Environmental & Social Screening memorandum (ESSM)	Documentation of project classification at CDB based on screening of environmental and social information; includes ESIA and other requirements for approval.
Hazardous waste	Substances classified as hazardous on specific (regulatory) list(s) due to their characteristics.
Host populations	People or communities receiving displaced persons.
Indigenous peoples	Distinct social and cultural groups that typically self-identify as distinct; attach collectively to land areas; have distinct cultural institutions; and speak their own language.
Information disclosure	Process of providing information to affected communities & other stakeholders that is timely, accessible, understandable and in appropriate form (language).
Involuntary resettlement	Results when affected individuals or communities do not have the right to refuse the physical or economic displacement that results when land which they occupy is acquired for a project.
Millennium Development Goals	A set of eight development goals promulgated by the United Nations to meet the needs of the world's poorest people by 2015.

Natural habitats (critical)	Generally, natural areas where human activity has not modified the ecosystem's primary ecological functions; critical areas have high biodiversity of exceptional utility.
Natural Hazards	All potentially damaging natural phenomena, which may cause the loss of life, injury, property damage social and economic disruption and environmental degradation such as landslides, hurricanes, tsunamis, earthquakes and climate change.
Natural hazard risk assessment	Study to identify and reduce natural hazard project risks to acceptable levels through measures that reduce risks on vulnerable ecosystem and social components.
Occupation Health and Safety	A collection of plans, programs and activities aimed at protecting workers from injury or illness associated with exposures to hazards in the workplace or while working.
Persistent Organic Pollutants (POPs)	Chemicals with characteristics which raise environmental and public health concerns (regulatory requirements) based on: toxicity, persistence, mobility, and bio-accumulation.
Physical Cultural Property	Object or artifact with local, regional, national or international significance which may require conservation management plans.
Project Coordinator	CDB staff member assigned to coordinate the preparation of an Appraisal Report.
Project Manager	Borrower staff member assigned to manage and coordinate a CDB-financed project.
Public consultation	See consultation.
Resettlement plan	Documentation where responsible entity sets out plans and procedures for mitigating impacts and compensating for losses to people physically or economically displaced.
Stakeholder engagement	Process of engaging with communities and stakeholders through two-way communication and some shared decision-making on project impacts and management.
Sustainability	Management of planetary resources for the benefit of present generations without compromising the reasonably foreseeable needs of future generations for such services.
Vulnerable groups	People within the project's area of influence who could be disproportionately impacted due to their disadvantaged or vulnerable status (e.g., age, gender, ethnicity, poverty).

INTRODUCTION

1. The proposed Draft Environmental and Social Safeguards Procedures have been revised based on the Caribbean Development Bank's (CDB) experience, in the use of its Environmental Review Guidelines and the Guidelines for the Social Analysis of Projects which was completed in 1994 and 2004 respectively. The primary objective is to institutionalise through a formal process, CDB's objectives and principles with respect to the management of environmental and social issues in its operations. This will ensure that the Bank and its Borrowing Member Countries (BMCs) and Borrowers (defined for this purpose as recipients of CDB loans and grants) manage their social and environment performance in a way that will ensure positive and successful outcomes for long-term development sustainability.

2. In 2006, CDB's Evaluation and Oversight Division (EOV) carried out an independent evaluation of the application of the current Environmental Review Guidelines, which have been in use since 1994. The study found that they had ensured environmental risks were addressed in the investment projects financed by the Bank, however:

- (i) work was required to mainstream these considerations in its economic policy dialogue with BMCs;
- (ii) increased staff resources were required for more effective environmental supervision;
- (iii) natural hazard risk reduction considerations should be made more explicit in the guidelines; and
- (iv) environmental and social review requirements should be harmonised with those of the wider development community.

As a consequence of the foregoing, the guidelines are being revised and presented as draft Environmental and Social Review Procedures (ESRP).

3. The draft ESRP harmonises CDB's requirements with those of the major multilateral development banks and the wider development community. The development community has adopted a new approach to the incorporation of environmental and social considerations in their work based on the adoption of specific performance standards or safeguard policies. These safeguard policies are based on core policies and best practice approaches with respect to the treatment of sensitive environmental and social issues in the work of financial and development institutions. In 2006, the Multi-lateral Working Group on the Environment prepared a best practice guidance document, "A Common Framework for Environmental Assessment". This document was later endorsed by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development for use by the development community. The DAC encourages the use of the guidance document as the basis for convergence of environmental and social requirements among the development community with respect to institutional requirements, processes and practices for both public and private sector projects. It is expected that this convergence will contribute to the more effective use of development resources. CDB has adopted this approach and has adapted some of the individual safeguard policies to meet its needs.

4. The draft ESRP also takes into account the many changes in organisational structure of CDB's Projects Department including the most recent restructuring which was implemented in 2007. This latest re-organisation has created a Project Services Division (PRSD), which has brought together environment and social professional staff as well as new positions for gender, governance and procurement for which staff are currently being recruited. The environment and social functions have also seen an increase in

staff resources to six positions. There are three social analysts and three environmental positions, including the position of Disaster Risk Management Specialist. This circumstance favours improved capacity, and opportunity for greater cooperation and collaboration of expertise in these cross cutting issues. The ESRP also reflects recent advances in the sustainability, poverty alleviation, disaster risk management and climate change strategic agendas for national and regional development, as well as the changes in the BMC's own administrative and legislative structures for social and environmental review and acknowledges the increasing significance of the role civil society can play in developmental activities.

5. CDB aims to reduce poverty and improve the lives of the population of its BMCs. It is therefore important that the Bank's policies and operations avoid, minimise, mitigate and compensate for social and environmental risks and take into consideration opportunities to enhance outcomes to meet BMC's long-term sustainable development objectives. The ESRP applies to all CDB's non-financial and financial products, including direct lending to the private sector. The ESRP describes the various steps and measures which must be adhered to in order to ensure that these considerations are addressed in the policies, programmes and investment projects. It also demonstrates the role the Bank can play to assist BMCs to improve their environmental and social performance for more positive development outcomes.

BACKGROUND

The Strategic, Sustainability and Policy Framework

6. CDB's ESRP apply to all its projects and activities. The procedures are an integral part of the strategic, sustainability and policy structure that frames all of CDB's activities. The overarching framework is summarised here to provide the context for the ESRP that follows.

Strategic Objectives

7. In its Strategic Plan 2005-2009, CDB redefined its mission statement as follows:

“CDB intends to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our borrowing members, and other development partners, towards the systematic reduction of poverty in their countries through social and economic development.”

8. Development of the Strategic Plan included participatory fora with stakeholders as an essential element of the process. Overall, strategic objectives for the organisation were defined as:

- Promoting broad-based economic growth;
- Fostering inclusive social development;
- Promoting good governance; and
- Fostering regional cooperation and integration.

Environmental Sustainability and Inclusive Social Development

9. The Strategic Plan identified cross-cutting themes for CDB, including environmental sustainability and disaster risk management and reduction. The Strategic Plan is implemented through a range of other sector and thematic strategies and policies approved by the Bank.

10. Environmental sustainability was selected as a strategic cross-cutting theme in recognition of the fact that substantial segments of the economic activities of CDB's BMCs, such as tourism, agriculture and fisheries, are reliant on their environmental quality and natural resource base. These natural resources and environmental assets are the basic capital required to sustain economic growth and competitiveness in the long term and to assist in reducing poverty and improving the quality of life for Caribbean citizens.

11. The Strategic Plan also includes targets and indicators to assist CDB's BMCs in meeting the Millennium Development Goals (MDGs). Ensuring environmental sustainability is Goal 7 of the MDGs and is considered to be an essential element in making progress in the other MDGs, by affirming the importance of social and economic issues. However, the targets and indicators associated with this Goal are not thought to be substantially relevant, given the achievements of the BMCs. CDB has been working with the BMCs to modify and make the indicators more relevant and specific to BMCs development objectives. The revised Caribbean specific Goal 7 emphasizes increasing the percentage of population with access to potable water, sanitation and secure property rights. It also introduces a new target and associated indicators that address physical and social vulnerability, based on damage and losses from natural hazards as well as anthropogenic influences on precious ecosystems such as coral reefs.

12. Disaster risk management and reduction is highlighted as a cross-cutting theme in recognition of recent experience in the Caribbean as well as predictions of global climate change and associated sea level rise. The location and features of CDB's BMCs render them vulnerable to multiple natural hazards and to potentially significant impacts from climate change and associated sea level rise. CDB recognises that these impacts could potentially undermine BMCs sustainable development objectives as well as the Bank's own ability to meet its core objectives and mandate. As a result, CDB has made significant efforts and progress in mainstreaming environment disaster risk into its operations. The ESRP recognises that environmental degradation often increases vulnerability to natural hazards and climate change and that in many situations, it is the poor who are most vulnerable and at greatest risk. The ESRP requires that CDB's operations neither cause environmental degradation nor trigger activities that may exacerbate or rebuild vulnerability.

13. Systematic poverty reduction and inclusive social development are major pillars of the Bank's poverty reduction strategy. The Bank's poverty reduction strategic levers of capability enhancement, vulnerability reduction and good governance are used to ensure that its interventions are poverty focused and are undertaken in ways that are realistic and practical for its mission. CDB supports the principle that people should be involved in the decision-making processes which concern them, their communities and the wider societal context in which they live. Stakeholder analysis and participatory approaches are therefore incorporated in all its interventions. This requires the engagement and active participation of governments and all potentially affected parties, in the development and design of policies, programmes and projects.

14. Recognising the contribution of both sexes to development, CDB seeks to promote policies and projects for the optimal development of all Caribbean men and women. To ensure equity of access for both men and women to the benefits of projects, the analysis of gender issues is being incorporated in the design, appraisal and implementation of the Bank's development interventions. This includes analysis of the roles of women and men who will be affected by the intervention, defining constraints, identifying opportunities as well as the need for incentives, to ensure the full participation of men and women in the

proposed development. Other considerations are given to mechanisms for equal access to employment, training and other benefits associated with the interventions.

15. As a consequence of history, culture and factors such as insecure land rights and geographical remoteness, indigenous people of the Region tend to be the most marginalised groups and are disproportionately represented among the Region's poor. CDB recognises the problems encountered by indigenous peoples and is sensitive to their desire to sustain their cultural integrity and patterns of life. Interventions proposed by BMCs which involve the interests of indigenous peoples will be appraised against this background, and will require the full involvement of indigenous communities in defining, designing and implementing projects. Issues such as the recognition of customary rights (especially land rights), indigenous peoples' participation in decision-making, and the impact of the pace and direction of social change on traditional patterns of life must also be examined. The ESRP has therefore been designed along two functional themes. These are (i) mainstreaming environmental and social considerations and (ii) setting out the environmental and social review requirements specific to the Bank's investment lending operations. Central to these two functional themes is the use of specific environmental and social safeguards which are considered essential to assist the Bank and its BMCs to manage and improve positive and successful environmental and social outcomes.

ENVIRONMENT AND SOCIAL REVIEW PROCEDURES

1. ENVIRONMENT AND SOCIAL REVIEW PROCEDURES

1.01 CDB's environmental policy mandates environmental and social analysis of all its operations and projects. The ESRP sets out the process and steps which are required to assess from an environmental and social point of view, the Bank's Work Programme and the projects to be financed in the BMCs. The objectives of the ESRP are to:

- Define the formal process for the environmental and social analysis of CDB's activities, programmes and projects;
- Provide stakeholders, including BMCs, with a clear understanding of CDB's requirements;
- Harmonise CDB's environmental and social review process with those of other multilateral financial institutions, as practicable;
- Assure the continued mainstreaming of environmental and social considerations into CDB's activities;
- Optimise decision-making and project outcomes with respect to environmental and social criteria, including mitigation of potential impacts;
- Anticipate issues or concerns in environmental and social areas to increase the efficiency of project processing, reduce delays, and control associated costs;
- Identify opportunities for enhancing environmental sustainability and social outcomes of CDB activities and investments; and
- Reduce negative impacts and maximise benefits of CDB's activities in the environmental and social spheres to further its overall mandate of sustainability and poverty reduction.

1.02 All operation activities must comply with the directives of the ESRP as well as all other relevant Bank policies and operational guidelines. Projects are also required to demonstrate compliance with the Borrower's national legislation and regulations for environment and social requirements, pollution abatement and control and health and safety issues. If an appropriate legislative or regulatory framework is weak or absent, the Bank will work with the Borrower to determine the most appropriate requirements to be used given the nature of the project, the national context and internationally accepted norms and practices. CDB will assist in strengthening BMC's capacity to manage environment and social issues, either through discrete technical assistance (TA) or the inclusion of specific capacity building components in the design of programmes or projects.

2. ENVIRONMENT AND SOCIAL SAFEGUARDS

2.01 The environmental and social safeguards are the key standards used throughout the Bank's operations to manage environmental and social outcomes in its operations and project investment activities. Safeguards or performance standards are widely used in impact assessment practice and are a core element in the harmonisation of approaches in environmental and social impact assessment (ESIA) used by development institutions. The safeguards provide the basic principles and requirements which must be addressed in the application of the ESRP across CDB's operations. The safeguards must be used in conjunction with CDB's current operational policies as well as the recently approved internal guidance

checklists developed for the integration of social considerations in economic policy and investment lending activities. Appendix 1 provides further details on the principles under the safeguard policies which have been listed below:

1. Pollution Prevention, Control and Management
2. Toxic and Hazardous Substances Control and Management
3. Natural Hazards and Climate Change
4. Natural Habitats and Biodiversity Conservation
5. Physical Cultural Property
6. Directly Affected Communities
7. Vulnerable Groups
8. Land Acquisition and Resettlement
9. Worker Health And Safety

3. MAINSTREAMING ENVIRONMENTAL AND SOCIAL ANALYSIS

3.01 This section outlines the mainstreaming of the ESRP to specific activities and programmes including policy dialogue, programming priorities, strengthening environmental and social governance frameworks, TA, and investment lending.

Country Strategy Development

3.02 Country strategy development is seen by the Bank as a collaborative process involving the Bank, each BMC and a range of national stakeholders, other development partners and an essential element in the design and implementation of CDB's programmes and activities with its BMC partners. Operationally, CDB's country strategy development is seen as a key vehicle for identifying, defining and sequencing the design, coordination and implementation of new policies, policy reforms and the programming of TA and investment lending in the Bank's Work Programme with BMCs. It therefore provides an excellent mechanism for mainstreaming environment, social and poverty related considerations, governance and other cross cutting issues in the Bank's work with BMCs.

3.03 As the Bank increases the use of policy and sector-based loans in its investment lending operations, it will be necessary to rely on more strategic analytical tools to enable the integration of environmental and social considerations in these interventions. Strategic Environmental and Social Impact Assessments (SESIA) are standard analytical tools used for these purposes, since they can be applied at the programme or sector level as well as for spatially defined areas within a country such as a parish or region. SESIAs are pro-active tools which allow the assessment of long-term cumulative environmental and social impacts and risks associated with policies or programmes. It allows the early definition of long-term social and environmental objectives and the design of an overall framework within which these considerations can be addressed in the long-term development and investment planning process.

3.04 Environmental and social staff will be responsible for coordinating the preparation of these studies. Environmental and social staff will work closely with the staff of the Economics and Projects Departments during their design and preparation. The Bank has been responsible for the preparation of Country Poverty Assessments (CPAs), Poverty Reduction Strategies and Action Plans, however,

preparation of Country Disaster Profiles and Country Environment Assessments will be new for the Bank. The studies are expected to reflect “best practices” of similar work carried out by the other multilateral financial and development institutions. Extensive literature including methodologies, technical guidance documents and evaluation reports are available from the World Bank.

TA

3.05 CDB will support institutional strengthening and capacity building initiatives to enable improved environmental and social performance at both the regional and national levels, based on the programming priorities agreed with BMCs and regional institutions. These may include the management of regional public goods such as establishment of environment and natural resources databases and other knowledge resources which are crucial to policy development and decision-making, as well as managing trans-boundary environmental or regulatory issues. The development of and training in the use of analytical tools, promotion of environmental education, development and use of appropriate regulatory and enforcement systems and the development and establishment of specific monitoring and reporting systems are activities which may be supported either through discrete TA projects or as components of specific investment projects.

Special Development Fund (SDF) Allocations

3.06 CDB’s Charter includes provisions for the setting aside of special fund resources which are used to finance special programmes such as Basic Needs Trust Fund (BNTF) or specific areas considered to be of high priority such as disaster risk reduction. The Economics and Finance and Corporate Planning Departments are responsible for allocation of these resources using a range of governance, economic social and environment criteria. Environment and social staff will provide advice and technical support in the development and application of the environmental and social criteria used in the allocation process.

Special Programmes

3.07 Effort will be made to infuse an environmental and social sustainability dimension into special purpose programmes such as the Caribbean Consultancy Technology Services (CTCS) and the BNTF. The CTCS programme provides a range of TA services to the private sector in BMCs in cooperation with regional and national institutions in areas such as project planning and appraisal, development of business plans, design and layout of production flow and preventative and maintenance programmes. The programme also provides TA through regional and national technical seminars and workshops on subjects of critical importance to the private sector. Clients requiring the use of CTCS services will be required to provide information on environmental and social issues relevant to their operations or TA request at the time of application for CTCS’ assistance. Environmental and social staff will provide technical support to CTCS staff to address any issues of concern or to help clients use available opportunities to enhance their environmental and social performance.

3.08 The BNTF is a grant-funded poverty reduction programme to assist BMCs with the provision of basic services to poor communities in ten (10) participating BMCs. BNTF considers requests for support from many agencies and groups. Eligible sectors include water and sanitation, education and day care facilities, health facilities, shelter for vulnerable groups, community markets, access and road construction, rehabilitation and maintenance and skills training. Environment and social protocols have been developed for the BNTF project cycle. These are specific to the unique portfolio of small sub-projects which are routinely financed under the programme. The protocols have been so designed that they also play a role in raising awareness of environmental and social issues given the highly participatory community approach which is used in BNTF project design and implementation. The protocols include

project specific checklists and sector guidance notes. Environmental and social staff will provide advice and technical support to BNTF staff, on individual projects or sub-projects.

Expansion and Modernisation Projects

3.09 For the expansion and modernisation of projects involving an existing facility, the entire facility must undergo an environmental and social assessment for both the proposed and existing facilities. An Environmental Audit (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 and determine the need for compliance with applicable performance and safeguard standards. Where a full EA is required, the environmental assessment work can be either conducted as a separate or joint exercise.

Co-Financed Operations

3.10 Where projects or other activities are being co-financed with other development partners, CDB will work in close collaboration with the parties to ensure that the environmental and social requirements are harmonised and consistent with the ESRP, thereby enhancing efficiency and effectiveness in the use of Borrower resources.

Pollution Prevention and Abatement and Performance Standards

3.11 The Bank will require the Borrower on a project-specific basis to follow source-specific emission and discharge standards recognised by the international development community for pollution prevention and control, health, safety and social impacts. These requirements must be justified by recommendations of an ESIA or EA, international norms and best practices, national legislation and regulations. Appendix 2 - Environmental and Social Screening Memorandum (ESSM) - provides further guidance on performance standards which are acceptable for use by CDB.

Multilateral Environmental and Social Agreements

3.12 Over the last two decades there has been an increase in the number of global and regional treaties, conventions and agreements on environmental and social topics. Most of CDB's BMCs are signatories and parties to many of these conventions and agreements. CDB will work with BMCs to ensure that they meet their obligations under these treaties and conventions and associated protocols in both its policy work with BMCs and in its TA and investment lending activities. CDB will not finance programmes and projects which are not in compliance with the BMC's legal obligations under these conventions. BMCs are therefore required to ensure that ESIA's identify, review and assess their legal obligations under all relevant international agreements applicable to projects or activities to be submitted to CDB for financing.

Public Consultation and Information Disclosure

3.13 Consultation with stakeholders is also an integral element of work associated with the preparation of all environment and social policy papers for the Bank as well as in policy work with its BMCs such as Country Environmental Assessments, CPAs and National Poverty Reduction Strategies and Action Plans. In keeping with international best practice, the Bank is developing an information disclosure policy¹ which will require the disclosure of environment and social information prepared by the Bank or provided in support of its investment lending operations by the Borrower. The principles to which the Bank will adhere with respect to public participation and the stakeholder engagement process are provided in the Vulnerable Groups, Land Acquisition and Resettlement and Directly Affected Communities safeguard policies provided at Appendix 1.

4. ENVIRONMENTAL AND SOCIAL REVIEW PROCESS IN THE PROJECT CYCLE

4.01 The Borrower is responsible for the preparation and implementation of all environment and social requirements in-keeping with the ESRP. All documentation must be submitted to the Bank for the review of quality, completeness and compliance with ESRP. The organisational and management capacity of the Borrower to implement, supervise, monitor and report on environmental performance is critical to positive outcomes and CDB will assist Borrowers through discrete TA projects or include capacity building activities as a component of the particular investment project.

4.02 PRSD currently has overall responsibility for environmental and social review of projects and operations. One of the objectives of this Division is to provide focused and practical advice, integrated across all the environmental and social disciplines, to facilitate the processing of projects while meeting CDB's overarching strategic, sustainability, and policy commitments in these areas.

4.03 The types and level of environmental and social analysis required for a project depend upon the nature, scale and location of the project. The project's area of influence and associated facilities, if any, are considered explicitly, early in the project's review. Borrowers are required to implement the appropriate environmental and social assessment instrument(s) throughout the project cycle, from feasibility through construction, operations, and closure.

4.04 Environmental and social analytical tools such as ESIA's and EAs will be used to identify, analyse, predict, evaluate and manage the environmental and social impacts of projects. ESIA also addresses potential opportunities for environmental and social benefits as well as potential direct, indirect and cumulative negative impacts and risks. ESIA offers the opportunity to engage Borrowers and stakeholders at an early stage in project design to address the environmental and social risks and to agree on the mitigation and protection measures and public consultation requirements to manage these. The ESIA should be supported by economic analysis of project impacts, and cost benefit analysis of project alternatives where applicable.

4.05 ESIA studies are required to include an Environmental and Social Management Plan (ESMP) which will set out the key direct and indirect impacts and risks as well as the measures designed to

^{1/} A disclosure policy is a standard element in the policy framework of other multi-lateral financial institutions and is highly recommended for CDB's adoption as part of its harmonisation process. Increased credibility, reduction of reputational risk, greater transparency, and improved governance, including its relationships with BMCs, are all anticipated.

address significant impacts. The ESMP will also indicate the institutional responsibilities required for their management and mitigation, specific monitoring requirements, and key monitoring indicators, and the schedules and costs associated with its implementation.

4.06 Where a project or activity does not require an independent ESIA, staff will determine the nature of the analysis and the type of information required to carry out CDB's environment and social diligence requirements.

Screening, Scoping and Categorisation of Projects

4.07 Projects are screened to determine the appropriate level and instrument(s) for environmental and social review. The Borrower is responsible for providing all relevant environmental and social information to CDB for the initial screening and scoping process to identify and focus on the issues and their significance. The procedure works best if it takes place in close consultation with the Borrower and key stakeholders as part of the project preparation exercise. The Borrower's inclusion of CDB staff at this early stage provides opportunity for staff to provide guidance on CDB'S requirements and include enhancements in the project design which could contribute to improvements in the environmental and social benefits of the project.

4.08 Environmental and social staff will review the proposed initiative and determine the project classification and related requirements following project screening and scoping. A single category is assigned to each project to reflect 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 diverse, unique, irreversible or otherwise significant adverse environmental or social impacts. A comprehensive ESIA is required, including consultation with key stakeholders according to the national requirements of the BMC, as applicable.
- **Category "B"** projects are those with the potential for limited environmental or social impacts that are readily identified and for which mitigation and management measures are known and available. Limited or focused ESIA may be required to address specific issues.
- **Category "C"** projects have little or no potential for environmental or social impacts. Environmental and social assessment is not normally required. Environmental and social documentation is generally not required beyond that necessary to categorise the project.
- **Category "FI"** projects are carried out by Financial Institutions in BMCs. Typically, they are financed by CDB as a single line of credit which is dispersed to multiple small and medium-sized private sector borrowers and sub-projects. Special considerations are required to assure that all such sub-projects meet CDB's environmental and social requirements.

- **Emergency Rehabilitation Projects**

The ESRP are not applicable to emergency grants and/or emergency reconstruction and rehabilitation projects, however once such projects have been identified for financing, environmental and social expertise shall be included in the project design and appraisal team, where appropriate.

4.09 The findings of the screening and categorisation process are recorded as an ESSM by environmental and social staff in collaboration with the Project Coordinator (PC). The ESSM, including

assigned category, is approved by the Division Chief of PRSD, who will also appoint a lead specialist (environmental or social) or co-leads (environmental and social) to facilitate coordination of ESIA requirements throughout the project cycle. Additional guidance on project classification with respect to environmental and social issues project type is provided in Appendix 3 - Screening and Categorisation of Projects.

4.10 The ESSM identifies and classifies the project, outlines the ESIA instrument(s) required, and identifies major issues and further specific ESIA requirements, if any, including a checklist of safeguard requirements identified. The format for the ESSM is presented at Appendix 2. The ESSM is entered into CDB's project tracking system, Project Portfolio Monitoring System (PPMS), or its successor as a component of the project profile.

Project Preparation

4.11 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 a full ESIA including public consultation will require more attention than Category "B" projects that typically have more limited and routine considerations. Category "C" projects will normally have very limited environmental or social requirements beyond the ESSM.

4.12 The PC advises the Borrower of the environmental and social classification of the project and the Bank's ESIA requirements based on the ESSM. It is the responsibility of the Borrower to prepare the ESIA and associated ESMP and submit these to CDB for review as part of the documentation for the proposed project. Depending on the capacity of the Borrower, the Bank may assist the Borrower with the preparation and development of Terms of Reference (TOR) to ensure satisfaction with Bank requirements. The Bank staff work with the Borrower, as needed, throughout the report preparation stage, including participating in meetings with key stakeholders to review progress of the ESIA preparation. 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.

4.13 In cases where ESIA's have been prepared by the Borrower prior to CDB's involvement environmental and social staff are required to review the information presented and prepare TOR for consultants to address issues which have not been addressed or which need significant clarification.

4.14 It is the Borrower's responsibility to advise CDB of any changes in the project that might require revisiting the terms of the ESSM (including re-classification of the project), or affect project processing within CDB.

4.15 Public consultations and stakeholder engagement is encouraged throughout the project cycle. For Category "A" projects, formal consultations and the full disclosure of the findings of the ESIA is required. The Borrower is required to release the draft ESIA and a non-technical executive summary to the public. Stakeholders must be given sufficient notice of the release of the documents and where they may be accessed, prior to any notice of formal public consultations on the findings of the draft report. A record of comments and concerns raised in the public consultations process must be kept as part of the project records. The Final ESIA submitted to the Bank must indicate the issues and concerns raised and how they have been addressed.

Project Appraisal and Review

4.16 Inclusion of environmental and social expertise in project preparation and appraisal missions is highly recommended for Category “A” and “B” projects. The relevant environmental and social staff are required to prepare technical inputs which reflect the findings of the ESIA documentation prepared and submitted by the Borrower. Any significant divergence between the conclusions of the ESIA documentation and the judgment of Bank staff must be reviewed and addressed to the satisfaction of the Borrower and the Bank prior to inclusion in the draft Appraisal Report. Environmental and social staff have responsibility for the revision and refinement of these technical inputs which are presented at the various stages of the Bank’s internal project appraisal review process.

4.17 The inputs must highlight the Bank’s specific ESIA requirements for the project, the significant issues and risks identified during appraisal and details of their resolution including, relevant environmental and social management plans and any recommended loan conditions. For Category “A” projects, a comprehensive Environmental and Social Summary, must be prepared and included as an Appendix to the Appraisal Report. Appendix 4 provides sample templates for environmental and social documentation which may be used in project appraisal. An Environmental and Social Safeguard Checklist (ESSC) which details how the specific safeguard policies have been treated in the project appraisal must be completed and appended to the Appraisal Report through the internal review process. The ESSC is not included in the appraisal documentation submitted to CDB’s Board of Directors. Appendix 5 provides a template for the ESSC.

4.18 Significant environmental and social requirements from the ESMP must be incorporated in the loan agreements. CDB’s Legal Department will provide assistance throughout the appraisal and review process in drafting appropriate clauses related to environmental and social conditions and covenants.

Private Sector Lending

Private Direct Lending

4.19 CDB lends directly for private sector projects in its BMCs and environmental and social review is an integral part of CDB’s decision-making on such 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 Borrower’s needs for business confidentiality. Where issues of community engagement are deemed critical, CDB will work with the Borrower to provide the community with relevant information necessary to allow their active engagement at all stages of the project cycle.

Financial Intermediary (FI) Loans

4.20 Financial intermediation is recognised as a cost-effective and efficient means of channeling Bank resources to small and medium-sized enterprises in the BMCs and a significant proportion of resources are channeled through FI institutions. These transactions often offer unique opportunities, to introduce social and environmental enhancements. Loans are provided as a single line of credit, which the FI on-lends for sub-projects to the private sector in areas such as agriculture, manufacturing, tourism and related services. These loans are classified as Category FI under the ESRP.

4.21 Environmental and social staff will assist staff in the Private Sector Development Division (PSDD), in the screening and review of FI loans for the ESSM. Particular attention will be paid to the

FI's capacity for assessing environmental and social requirements for the type of sub-projects for which it lends.

4.22 Environmental and social staff are required to assist the PC with the screening of FI loan proposals and prepare environmental and social inputs for the project Appraisal Reports. Environmental and social analysis for FI loans requires that emphasis be placed on the FI's capacity to undertake environment and social assessment for the projects it finances within the context of national legislative and regulatory requirements. The FI and CDB staff will work together to determine appropriate environment and social management system or procedures to satisfy CDB's ESRP requirements. The Division Chief, PRSD approves environmental and social requirement for FI projects and appoints relevant environmental and social staff. Appendix 6 provides a generic environment screening and scoping checklist which the FI may use as guidance for the screening of sub-projects.

Project Supervision and Monitoring

4.23 During project implementation, the Project Supervisor and the designated environmental and social staff are responsible for the supervision and monitoring of all Category "A" and "B" projects. Inclusion of environmental and social expertise in project launch workshops which usually marks the formal commencement of project supervision is highly recommended. During project implementation, environmental and social staff are required to monitor the Borrower's compliance and performance with the agreed project design and implementation commitments such as the ESMP and any specific loan covenants. The findings from project supervision site visits and desk reviews of supervision documentation submitted by the Borrower must be recorded as a supervision report in accordance with the project supervision plan detailed in the appraisal report. All supervision reports must be included in the PPMS.

4.24 At any time during the project cycle, the need to deal with unanticipated impacts could arise. CDB and the Borrower will determine the significance of any such impacts, and any required mitigation measures as well as the costs. Mechanisms for such feedback and adjustments include Project Supervision Reports, routine progress reports prepared by supervising consultants and those from the Project Manager. CDB is committed to an expeditious resolution of these issues in close collaboration with the Borrower.

4.25 Overall supervision of FI projects and sub-projects is the responsibility of the Borrower and PSDD's supervision staff. However, some FI loan agreements may require CDB's prior approval for the use of CDB funds for specific sub-projects and in these cases, environmental and social staff will provide technical support as required. Appendix 5 provides a generic checklist and general guidance which may be used by the FI to screen project proposals.

Project Completion

4.26 Environmental and social staff will contribute to Project Completion Reports (PCR) and participate in these missions for Category "A" and "B" projects. The PCRs will include an assessment of the effectiveness of mitigation and monitoring measures, as well as specific loan conditions and covenants.

Ex-Post Evaluation

4.27 PCRs will also be used as input to ex-post evaluations carried out by CDB's EOV. Independent social and environmental expertise shall be included in the ex-post evaluation of projects, particularly for Category "A" projects.

4.28 CDB is required to prepare an annual report on its environmental and social activities which will include an overview of the numbers of projects by category as well as other summary information on project types and outcomes.

4.29 Table 4.1 illustrates the role of environmental and social review process at each phase of the project cycle at CDB. It also summarises the roles and responsibilities of the various participants in the process. A more detailed list of the Borrower, CDB and its PRSD responsibilities with respect to the environmental and social review process for projects is provided at Appendix 7.

**TABLE 4.1: ENVIRONMENTAL AND SOCIAL REVIEW PROCESS
IN THE PROJECT CYCLE**

Project Cycle Phase	Responsibility	ESRP
Project Identification & Preparation	PC requests ESSM as part of project profile	Division Chief, PRSD 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
	PRSD	Complete ESSM, including classification, ESIA documentation requirements (if any), safeguards checklist and stakeholder engagement, as appropriate
	Division Chief, PRSD or as designated by the Director, 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
	Borrower	Informs Borrower of ESSM requirements; PRSD assists Borrower as required during preparation phase
	Borrower	Completes studies, plans, actions and documentation requirements set out in ESSM
	PRSD	Reviews Borrower documentation; resolves outstanding environmental and social issues, if any
Appraisal	PRSD	Incorporates findings into Divisional, Departmental and Loans Committee reviews, as well as the Appraisal Report. The main findings are included in the “President’s Recommendation”.
Negotiations	PC assisted by legal counsel	Negotiates environmental and social loan covenants with the Borrower and incorporates them into the Terms and Conditions of the Loan Agreement
Board Approval		
Implementation, supervision & monitoring	PRSD	Monitors project implementation against agreed covenants; assesses unanticipated impacts, if any; reports on and documents status in CDB project tracking system
Project completion	PRSD	Completes PCR with respect to environmental and social matters; results may be utilised in ex-post evaluation
Ex-Post Evaluation	EOV	Independent environmental and social consultants may be used.

APPENDICES

ENVIRONMENT AND SOCIAL SAFEGUARDS

A. POLLUTION PREVENTION, CONTROL AND MANAGEMENT

Objectives

To protect human health and ecosystem functions by preventing, eliminating or minimising the output and/or impact of air, land, and water pollution.

Principles

1. Impacts from pollution and options to address these impacts should be identified as part of the ESIA.
2. 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, World Bank Pollution Prevention and Abatement Handbook, or World Health Organisation (WHO) Guidelines].
3. Where, according to the ESIA the higher standard is unrealistic, or is not technically or economically feasible, deviations should be justified within the ESIA context and agreed by the Borrower and the Bank.
4. Where a country has ratified applicable international agreements, the relevant provisions are taken into account in project design.
5. In new facilities, state of the art or cleaner technologies (stressing prevention, rather than abatement) should be used where technically and economically feasible.

B. TOXIC AND HAZARDOUS SUBSTANCES CONTROL AND MANAGEMENT

Objectives

To minimise risks to human health and safety and to the environment from the production and use of toxic and hazardous materials and substances, including pesticides and Persistent Organic Pollutants (POPs).

Principles

1. Screening for use of toxic and hazardous materials and substances should occur in the ESIA context.
2. CDB-funded projects shall not finance the procurement or production of:
 - Pesticides in WHO classes I and IA, except in highly unusual cases justified in the ESIA; and
 - POPs, subject to the exceptions under the Stockholm Convention.

3. Where the use or production of other pesticides is being considered:
 - 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; and
 - 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].
4. The use of other hazardous materials and substances should be minimised, and where they are used or produced:
 - An ESMP, covering their transport, handling, storage, and disposal, as well as associated management and reporting practices; and
 - Where production processes involve significant dangers or risks, an emergency preparedness and response plan should be prepared and potentially affected communities should be informed.

C. NATURAL HAZARDS AND CLIMATE CHANGE

Assessment of the risks from natural hazards and climate change and their effective integration in development policies and programmes is an emerging discipline and CDB has made contribution in this area with its contributions to the development and publication of the CDB/CARICOM – Sourcebook - Integration of Natural Hazards into the Environmental Impact Assessment Process, 2004. This work is being strengthened by development of additional tools and resources by the Provention Consortium². This note is based on the Sourcebook and “Guidance Note 7, Environmental Assessment” prepared by the Provention Consortium.

Objectives

To reduce risks from natural hazards and disasters to acceptable levels and to build resilience to natural disasters and the impacts of climate change by identifying and implementing measures that reduce such risks.

Principles

1. All environment and social policy related work activities should address disaster risk reduction and climate change response considerations.

^{2/} Guidance Note 7, Mainstreaming disaster risk in Environmental Assessment, Provention Consortium, 2006. The Consortium is a global coalition of international organisations, governments, the private sector, civil society organisations and academic institutions dedicated to increasing the safety of vulnerable communities and to reducing the impacts of disasters in developing countries. It provides a forum for multi-stakeholder dialogue on disaster risk reduction and a framework for collective action.

2. All projects must be screened for natural hazard and climate change risks in order to determine the level of risk and the nature and type of analytical work necessary to avoid or manage the identified risks.
3. Systematic analysis of the potential disaster risk-related consequences of a project via its impact on the environment should be included as a central component of the environmental assessment process in hazard-prone areas.
4. Environmental issues must be carefully considered in the design and implementation of post-disaster reconstruction and rehabilitation projects and rehabilitation activities.
5. Risk assessment should consider both structural and non-structural mitigation measures and include social analysis and public consultations where relevant. It should also assess the capacity of local and national institutions to monitor and enforce appropriate performance standards.
6. Appropriate and sufficient management, mitigation and/or adaptation measures including monitoring requirements have been identified and incorporated into project design for all potentially significant impacts identified in the detailed hazard and vulnerability assessments; and whether it is technically, financially and administratively feasible to implement the necessary risk management measures in the proposed project.

D. NATURAL HABITATS AND BIODIVERSITY CONSERVATION

Objectives

To avoid adverse impacts on natural and protected habitats and biodiversity, and to conserve protect and maintain them.

Principles

1. Projects should avoid converting or degrading legally protected areas.
2. 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 should be built into the project. This may include measures to establish and protect an ecologically similar area.
3. Projects should be designed to conserve biological diversity or to use it sustainably. Where local communities are involved there should be a fair and equitable sharing of benefits derived from its use.
4. Projects in forest areas should be accompanied by a management plan that provides for the conservation of natural habitats.
5. The Borrower's obligations under international convention and associated protocols should be reviewed and considered in evaluating proposed projects.

E. PHYSICAL CULTURAL PROPERTY

Objectives

To avoid adverse impacts on physical cultural resources and encourage their conservation and management.

Principles

1. Development projects should avoid damage or destruction to cultural property designated as having local, national, or international significance and should encourage its conservation and enhancement.
2. 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.
3. 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.
4. Where projects may encounter cultural property during implementation, provisions should be made for the management of chance finds.
5. Where a country has ratified international conventions, consideration should be given to how they will meet their obligations under the convention.

F. DIRECTLY AFFECTED COMMUNITIES

Objectives

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

Principles

1. Where project screening determines that significant adverse social impacts are possible, qualified specialists should carry out an appropriate impact assessment.
2. 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.
3. Measures should be incorporated into the project to ensure that communities adversely affected by development projects also benefit from them.
4. Adversely affected groups should be consulted about project impacts and have a voice in determining mitigation measures and project benefits.

G. VULNERABLE GROUPS**Objectives**

To avoid adverse impacts upon groups that may be disadvantaged in the development process by virtue of their gender, age (children and the old), ethnicity, religion, culture, or way of life.

Principles

1. Adverse impacts resulting from the location or design of the project should not fall disproportionately on disadvantaged, excluded or vulnerable groups, or worsen their situation in relation to others.
2. Where adverse impacts are expected, they should be minimised and mitigated to the extent feasible.
3. 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 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.
4. Intended mitigation measures and proposed project benefits should be socially and culturally compatible, and they should be determined in discussion with affected groups.

H. LAND ACQUISITION AND RESETTLEMENT**Objectives**

To ensure that affected people, including 'squatters' (i) are fairly compensated for the loss of land and other assets taken for development purposes; and (ii) are able to restore their incomes and standards of living or improve them.

Principles

1. Involuntary resettlement should be avoided or minimised where feasible.
2. Unavoidable resettlement should be based on a Resettlement Plan developed in consultation with affected peoples on a case by case basis. Elements of the plan include a description of project elements requiring land, census of affected persons, description of assistance and compensation provided, institutional responsibility, implementation plan and budget, and monitoring and reporting requirements.
3. Compensation for land and other assets should be based on replacement value at the time of relocation.

4. In addition to compensation, resettlement assistance should be provided, if necessary, to facilitate income restoration.
5. Directly affected groups, including those receiving resettled 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.
6. Income restoration should build on the experiences and preferences of displaced people and benefits should be socially and culturally appropriate.
7. Provisions should be made for dispute resolution mechanisms.

I. WORKER HEALTH AND SAFETY

Objectives

To ensure that those employed under projects are fairly treated and have a safe working environment.

Principles

1. Employment practices should be, at a minimum, consistent with the laws of the country.
2. 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.
3. Projects should not use involuntary, forced, or coerced labor.
4. 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). Recommended risk management measures should be included in the ESMP.

ENVIRONMENTAL & SOCIAL SCREENING MEMORANDUM

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

Project title:

ENVIRONMENTAL & SOCIAL SCREENING SUMMARY	
Category Assigned	Specific Requirements
A	See 4 (below)
B	See 4 (below)
C	N/A
FI	See 5 (below)

1. Project Description

Project sector:

Project components (including area of influence and associated facilities, if any):

[Project location (append map, if available):]

2. Project Screening

(a) Environmental information available:

Potential environmental issues identified:

(b) Social information available:

Potential social issues identified:

3. Environmental and Social Category Assigned (A, B, C, FI):

Rationale for assigned category:

4. Specific ESIA Requirements for Category A or B Projects

ESIA Instrument (ESIA, ESMP, EA):

Specify applicable environmental & social standards or guidelines (e.g. national requirements, World Bank Pollution Prevention Abatement Handbook, etc.):

Safeguards Checklist required? (y/n)

If so, append (see Appendix 5):

Public consultation/stakeholder engagement required? (y/n)

If so, specify:

5. Specific Requirements for FI Projects

Adequacy of Borrower's environmental & social capabilities:

- Policies:
- Management systems:
- Staff experience (overall):
- Staff experience (re: sub-project screening; see Appendix 7):

Additional training required? (y/n)

If so, specify:

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).

Overall, compliance with national laws and regulations of BMC's, 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:

- World Bank Safeguard Policies
- International Finance Corporation's (IFC) Performance Standards;
- Environmental Assessment Sourcebooks, and associated Updates
- Pollution Prevention and Abatement Handbook, World Bank Group;
- International Labour Organisation (ILO) conventions with respect to humans rights and labour law;
- Fundamental Principles and Rights at Work (ILO);
- United Nations Universal Declaration of Human Rights;
- United Nations Convention on the Elimination of All Forms of Discrimination against Women;

- International good practice in specific sectors, e.g. guidance published by internationally recognised professional associations.

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

SCREENING AND CATEGORISATION OF PROJECTS

PRSD specialists determine the project classification following project screening and scoping and as one element in the ESSM completion process (see Appendix 4 for additional details). 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 shown graphically on Figure 2-1, below.

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.

CATEGORY A PROJECTS: projects with the potential for diverse, unique, irreversible or otherwise significant adverse environmental or social impacts. Examples include:

1. Large-scale agriculture including livestock farming,
2. Agro-industries including aquaculture;
3. Fisheries development;
4. Large-scale infrastructure, including roads, sanitation, irrigation or water supply;
5. Large-scale tourism developments including hotels and water parks;
6. Ports, harbours and marinas;
7. Airports;
8. Forestry and forestry industries;
9. Waste management facilities;
10. Industrial plants and industrial estates;
11. Storage facilities for petroleum, petrochemical or chemical products;
12. Thermal power;
13. Large scale hydro power
14. Rural electrification (large scale);
15. Dams and impounding reservoirs;
16. Mining and mineral processing;
17. Oil and gas developments including pipelines;
18. Large-scale land tenure, reclamation or conversion of previously undeveloped land;
19. Projects with potential impacts to environmentally sensitive areas such as coral reefs, mangrove swamps, and areas protected by national or international law;
20. Projects requiring resettlement or significant economic displacement, or with potential adverse impacts to vulnerable groups; and
21. Human development projects (education, health, skills training, youth development).

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:

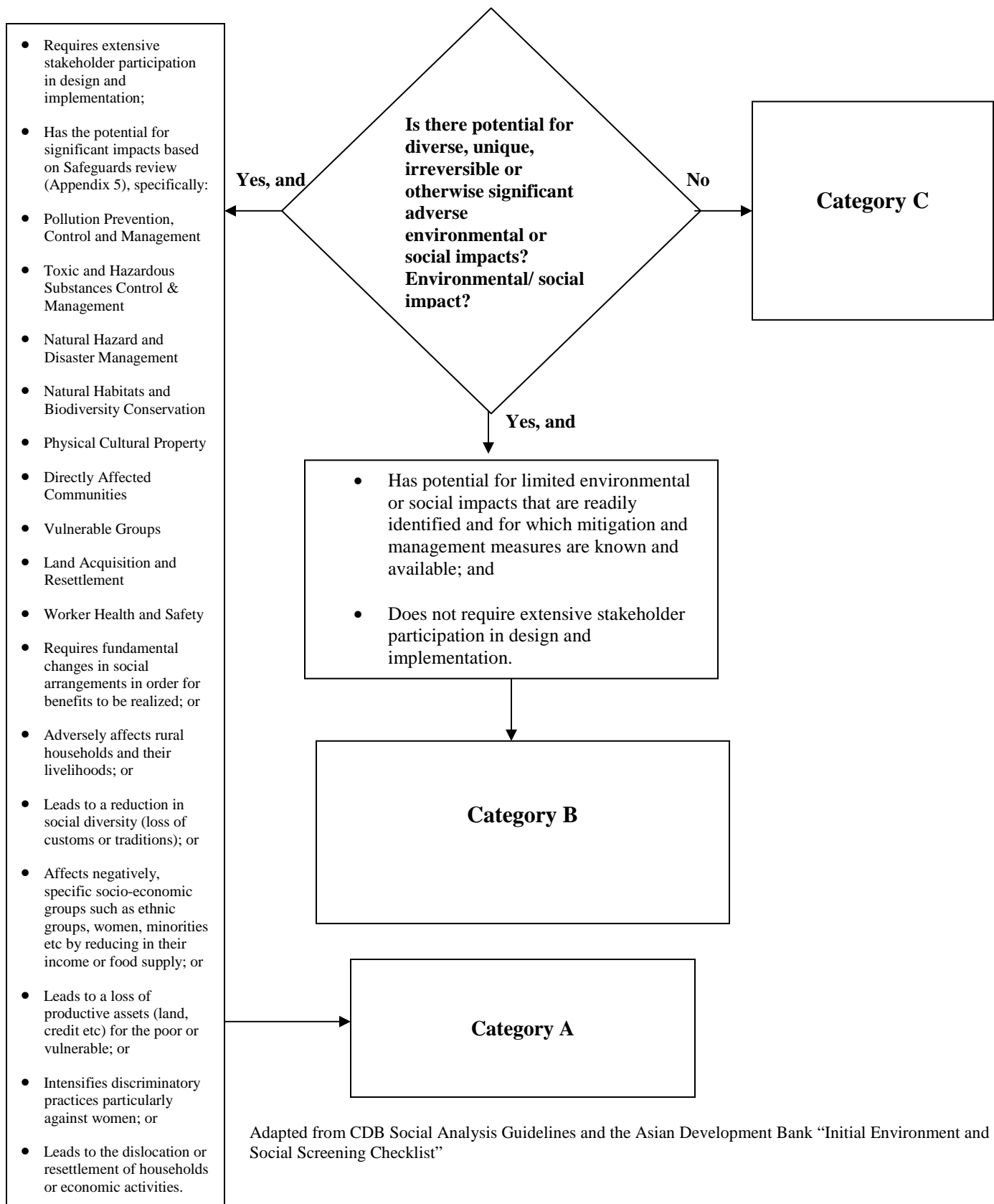
1. Small-scale rehabilitation, modernisation or expansion activities associated with existing facilities;
2. Road maintenance activities and construction of feeder roads;
3. Public facilities including schools, housing developments and small-scale hospitals;
4. Small-scale municipal infrastructure such as water supply and sanitation projects;
5. Rural electrification (small scale);
6. Small enterprise development;
7. Renewable energy development (excluding large scale); and
8. Telecommunications networks.

CATEGORY C PROJECTS: projects with little or no potential for adverse environmental or social impacts. Examples include:

1. Education programmes (not including school facilities construction);
2. Health programmes (not including hospital buildings and construction);
3. Feasibility studies;
4. Institutional development; and
5. General technical assistance activities.

CATEGORY FI PROJECTS: projects where CDB's resources are channeled through a financial intermediary that distributes to sub-projects in the private sector, such as agriculture, industry or tourism.

FIGURE 3-1: SOCIAL AND ENVIRONMENT CATEGORISATION PROCESS



SAMPLE CONTENTS OF ENVIRONMENT AND SOCIAL PROJECT DOCUMENTATION

A. CONTENTS OF AN ESIA REPORT

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

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

Project Description

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.

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

Baseline Data

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

Impacts and Risks

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

Analysis of Alternatives

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

Recommendations

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

B. ESMP

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

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

Monitoring

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

Record of Consultation

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

C. CONTENTS OF AN ESMP**Summary of Potential Impacts**

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

Planned Mitigation Measures

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 Programs and Parameters

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

Provide a plan for public 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:

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

Mechanisms for Feedback and Adjustment

Outlines the procedures and mechanisms that will be used to modify and reshape the project in the 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

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

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

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

Provide details on the timing, frequency, and duration of mitigation measures and arrangements for monitoring and reporting. The responsibilities and requirements of contractors should 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

All costs for implementation of the ESMP, including operation and maintenance, should be included. A budgeting plan should be attached that indicates how those costs will be met.

Environmentally Responsible Procurement

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.

D. SAMPLE TABLE OF CONTENTS - EA REPORT**Executive Summary**

Overview and summary of items below:

Nature of the Proposed Project

- Context of the Audit
- Description of Processes, Facilities and Assets
- Facility Location and Description of Environs
- Facility and Site History
- International/National/Local Regulatory Requirements
- Applicable World Bank Guidelines/European Union Directives/Other Requirements and Standards

Corporate Environmental, Occupational Health, Safety and Social Management

- Environmental, Occupational Health and Safety Policies and Procedures
- Organisation of Environmental, Health and Safety Management
- Contingency Planning and Emergency Procedures
- Staff Training and Supervision
- Internal employee consultation procedures/practice
- External information sharing and dialogue with civil society

Environmental Management at the Company / Facility Level

- Inputs, Products and Waste Streams (subdivide as appropriate)
 - Raw Materials Consumption and Source (where appropriate)
 - Water Consumption and Source
 - Energy Consumption and Source
 - Intermediate Products
 - Effluents
 - Air Emissions
 - Greenhouse Gas Contribution
 - Solid and Hazardous Wastes
 - Noise and Vibration
 - Electromagnetic fields
 - Radiation

- Process Efficiency
- Materials Handling and Storage
- Disposal of Wastes
- Management of Hazardous Materials (including Polychlorinated Biphenyls (PCBs) and Asbestos)
- General Housekeeping Issues
- Soil and Groundwater Contamination
- Current Environmental Monitoring Activities
- Regulatory Compliance Status
- Expenditures on Environmental Management
 - Capital Cost/Project Finance
 - Operations and Maintenance
- Natural environment (for example, buffer zones)
- Eco-labelling, product attributes, certifications

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

- Occupational Health, Safety and Social Issues
- Current Health, Safety and Social Monitoring Practices
- Community Health Exposure
- Regulatory Compliance Status
- Impact on Community Development
- Expenditures on Health, Safety and Social Issues
 - Capital Cost/Project Finance
 - Operations and Maintenance

Conclusions and Recommendations

- Regulatory Compliance
- Process Efficiency and Environmental Opportunities
- Environmental Management Issues
- Health and Safety Issues
- Stakeholder Dialogue and External Reporting
- Environmental, Health, Safety and Social Performance Monitoring
- Consolidated Environmental, Health, Safety and Social Action Plan/EMP
- Community Development Issues

Appendices

- Photo/Video Log pertaining to site visits
- Copies of permits, laws and regulations
- Records of community consultations
- Environmental, occupational health, safety and social performance monitoring protocols

**PRESENTATION OF ENVIRONMENTAL AND SOCIAL FINDINGS
FOR APPRAISAL REPORT**

ENVIRONMENT AND SOCIAL SUMMARY CATEGORY “A” Projects

Project Concept and Rationale

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

Baseline conditions of Project Area and Project Beneficiaries

- Baseline environmental and social information on project area and beneficiaries.
- Legal and institutional framework and the specific considerations of relevance to the project.

Environment and Social Impact

- Discuss significant environment and social issues and risks and the recommended mitigation measures.
- Summarise the requirements of the ESMP including a discussion of the required performance standards and any associated loan conditions.

Environmental Monitoring Requirements

- Detail the environment and social monitoring requirements and associated monitoring indicators and reporting requirements.

ENVIRONMENTAL AND SOCIAL SAFEGUARDS CHECKLIST

This ESSC is completed by PRSD specialist staff during project screening to assist in project classification, as applicable. Upon completion, the Summary is appended to the project Appraisal Report.

ESSC SUMMARY				
Safeguard*	Applicable to Project? (y/n)			Comments
		ESIA (y/n)	ESMP (y/n)	
A. POLLUTION PREVENTION, CONTROL AND MANAGEMENT				
B. TOXIC AND HAZARDOUS SUBSTANCES CONTROL AND MANAGEMENT				
C. NATURAL HAZARD AND DISASTER MANAGEMENT				
D. NATURAL HABITATS AND BIODIVERSITY CONSERVATION				
E. PHYSICAL CULTURAL PROPERTY				
F. DIRECTLY AFFECTED COMMUNITIES*				
G. VULNERABLE GROUPS				
H. LAND ACQUISITION AND RESETTLEMENT				
I. WORKER HEALTH AND SAFETY				

* Descriptions are based on “A Common Framework for Environmental Assessment, A Good Practice Note, Multilateral Financial Institutions, Working Group on Environment, February 28, 2005”.

SCREENING CHECKLIST FOR FI SUB-PROJECTS

This checklist is completed by the FI's Borrower with as much detail as possible. The checklist is an integral part of the ESIA process for a FI sub-project. It is used by the FI lender:

- to determine if issues associated with the proposed sub-project require further environmental and social review by the FI Lender prior to approval of the sub-project; and
- to determine if further review of the sub-project is warranted by CDB.

After reviewing this checklist, the FI Lender consults the 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.

1. Project description:

Project proponent:

Describe the use of funds:

Detailed description of the project location with map if available.

2. Permitting/planning requirements:

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:

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

3. Environmental management capacity:

Describe the environmental and social management capacity of the Borrower. Factors contributing to environmental management capacity include, but are not limited to, designated staff with

environmental, health and safety (EHS) management responsibilities; EHS policies; knowledge of regulatory requirements; engagement of environmental consultants; planned EHS training activities; and implementation of environmental management , mitigation and follow up activities. It may be useful to determine the following specific information;

Does the Company have an Environment Policy?

Does the company have a Health and Safety Plan or Policy?

Is there staff with specific responsibility for environment, health or safety issues?

Does the company have an emergency contingency plan for fires, hurricanes or other natural hazards?

Is the company in compliance with all applicable legal and regulatory environmental, social health and safety, labour laws and regulations including permits and authorisations?

Are there any past or existing environmental, social or health and safety claims or material complaints associated with the company?

4. 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 adverse impacts to 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 equity
- 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):

5. Specific Social Requirements: Students Loans and Special Mortgage Programmes

Student Loans

- Number of applicants (last three years) (accepted and rejected)
- Summary profile of applicants by:
 - Age group;
 - Sex;
 - Residence;
 - Proposed programme of study;
 - If applicable, current occupation and income range.
- o Summary of applicants' parent(s)/guardian(s) occupation and income range; and
- o Summary report on the criteria met by borrowers from economically disadvantaged households.

Special Mortgage

- Number of applicants (last three years) (accepted and rejected)
- Summary profile of borrower by:
 - Age group;
 - Sex;
 - Marital status;
 - Residence;
 - Tenure arrangement;
 - Occupation;
 - Number of dependents; and
 - Income range.

Summary report on the criteria met by borrowers.

**RESPONSIBILITIES FOR INTEGRATING ENVIRONMENT AND SOCIAL
CONSIDERATIONS IN CDB's OPERATIONS**

The Borrower's Responsibilities

- Provide sufficient environmental and social information to facilitate screening and categorisation process;
- Prepare TORs for environment and social studies;
- Carry out agreed studies using independent consultants;
- Facilitate consultations with affected parties and stakeholders;
- Approve final ESIA and other studies including addressing concerns and issues raised during public consultation process;
- Submit final ESIA and other technical studies for CDB's review;
- Ensure compliance with ESMP and any relevant loan conditions during project implementation and operation;
- Monitor environment and social impacts and provide formal reports as required in the loan agreement; and
- Propose changes to ESMP where necessary such as when unanticipated impacts arise or if non-compliance requires substantive changes in implementation requirements.

CDB's Responsibilities

- Carry out screening and scoping exercise using information provided by the Borrower;
- Complete ESSM as part of project profile process;
- Assist Borrowers with the completion of the TORs for ESIA and other technical studies;
- Provide environment and social expertise for appraisal missions;
- Review and comment on ESIA and other technical studies submitted by the Borrower;
- Provide written comments on ESIA and other studies to the Borrower;
- Provide environment and social expertise for appraisal missions;
- Provide technical environment and social inputs to the Appraisal Reports and revise these throughout the appraisal review process;
- Supervise the implementation of ESMP of Category "A" and "B" projects in close collaboration with designated project supervisor during project implementation; and
- Consult with primary stakeholders during project supervision.

PRSD's Responsibilities

- Coordinate development of Poverty Reduction Strategies, Poverty Reduction Action Plans, Country Environment Profiles and Country Disaster Risk Profiles, as country background documents and update these as required;
- Assist Economics Department in integrating environment and social considerations in Country Strategy Development and SDF allocation;
- Provide technical advice and assistance to Operations Department on environment and social issues throughout the project cycle;
- Screen and categorise investment projects as part of project profile documentation;
- Review and comment on ESIA and other related studies; and
- Ensure compliance with ESMP throughout project cycle.

GENERAL REFERENCES

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