

Annex A

Environment and Safeguards Compliance Policy Electronic Consultation on the Advanced Profile (4/20/04 – 6/30/04)

Summary of comments from participants and Bank response 11/15/04

INTRODUCTION, SCOPE AND OBJECTIVES	
Summary of comments on the Advanced Profile from participants	Bank Response
<ul style="list-style-type: none"> ○ Provide clarification as to the differences in roles of the IDB's three central institutions (IDB, MIF, IIC), the internal environmental review procedures and overall responsibilities for overseeing the application of the policy. The text should be clear about the mandatory nature of the Policy and its application to all Bank operations and activities. Compliance oversight should be given to a centralized compliance assurance unit, with sufficient resources and authority. All IDB staff should become familiar with the overall objectives and directives established in the policy, as well as the procedures that specify the steps involved in policy implementation. ○ Need to address the harmonization needs among development assistance organizations (inter-institutional coordination) to assure inter-agency coordination in pursue of sustainable development objectives in the region. ○ The social and economic dimension of development should be integrated in the Policy, thus providing clear linkages between environmental objectives and socio-economic development goals in the region. ○ The policy should promote transparency, straightforwardness and coherence with other policy instruments within IDB. ○ The policy should place emphasis on the “do-good” potential of IDB interventions, by enhancing the positive aspects of natural resource management. It should also favour “preventive” measures over mitigatory or compensatory measures, where feasible. ○ The policy needs to address cultural diversity, through the open recognition of indigenous peoples rights in the valorization, appropriation and use of natural resources. ○ Address, as part of the implementation of the mandates of the policy, the costs of 	<ul style="list-style-type: none"> • The Bank has incorporated in the new draft policy the general comments made by respondents on the advanced profile. The new draft policy has maintained the basic scope, structure and objectives presented in the profile, and expanded the depth of issues addressed throughout its policy directives. The directives included in the new draft policy include seven directives related to mainstreaming the environment (“A” directives), and sixteen directives related to safeguarding the environment (“B” directives). The Implementation Handbook supporting the Policy contains a full set of implementing procedures and standards pursuant to the specific policy directives.

compliance with directives built into the loans,	
POLICY DIRECTIVES:	
A. <u>Mainstreaming the environment into overall economic and social development (general)</u>	
Summary of comments from participants	Bank's Policy Team Response
<ul style="list-style-type: none"> ○ Clarify the main environmental steps in relation to overall project cycle. ○ Secure the participation of the Bank's environmental department in the development of country strategies, and country-level and regional-level programming. This obligation of participation could be determined in an internal operational directive. ○ Group A directives should recognize the differential impacts of environmental risks and challenges, and differences in the definition of rules and their application. 	<ul style="list-style-type: none"> • The directives addressing environmental mainstreaming set necessary conditions to address potential environmental challenges early-on in the programming stage. Also, the new draft policy introduces provisions for risk management to facilitate proper environmental management. The mainstreaming directives of the new draft policy call for: i) performing strategic analytical work; ii) proactively supporting countries with environmental management and natural resources programs; iii) supporting countries meet international agreements; iv) mainstreaming environmental components in non-environmental operations; v) monitoring performance indicators; and vi) flagging challenges and opportunities early-on in the identification stage.
A. 1. <i>Programming-related activities, such as Country Strategies and other relevant programming documents, must analyze and show the state of enabling conditions for environmental management in relation to priority areas of intervention discussed and agreed with borrower countries.</i>	

Summary of comments from participants	Bank's Policy Team Response
<ul style="list-style-type: none"> ○ Assure that country analysis promote that relevant ministries and institutions work together to assure that social, ecological and economical elements are included as part of complex policy interventions. ○ The policy should provide the effective frameworks that would successfully integrate the interphase between markets and citizens, facilitated by public and private institutions, networks and organizations, instruments and procedures/rules. ○ Country programming activities should address land degradation, desertification and other natural and human-induced environmental factors as part of poverty reduction strategies. ○ IDB should require that country-level environmental analysis be developed in direct consultation with environmental experts, NGOs (international and national), and their stakeholders in the borrowing country. ○ It is critical that the Bank monitors the effectiveness of its environmental interventions, and whether the enabling conditions for environmental management have been met 	<ul style="list-style-type: none"> ● The concept of environmental governance set forward by the policy includes as a central element civil society participation and access to information, and is considered an essential part of country-level environmental analysis (CEA). As set in Directive A.1 of the new draft policy, during early programming activities and as part of country environmental analysis, environmental priorities are linked to broader objectives of poverty reduction and sustainable economic growth. Regarding the need to monitor results, CEA set key indicators to measure the Bank's effectiveness in addressing environmental priorities, including those addressing the Millennium Development Goals. The Directive A5 in the new draft policy requires the incorporation of verifiable indicators to track country-level environmental performance.
<p>A.2. For public and private sector intervention agreed with the borrower in the context of relevant public and/or private sector programming activities, which may pose substantial environmental risks and challenges, adequate strategic provisions must be identified to anticipate and address early-on the needs for developing appropriate enabling conditions for environmental management.</p>	
Summary of comments from participants	Bank's Policy Team Response
<ul style="list-style-type: none"> ○ IDB should put "high-risk projects" through an additional analytical lens. A "high risk projects" category should be defined, and Bank resources should be mobilized to address such projects from early stages of programming to execution and monitoring. The Bank should not finance projects which result in unacceptable environmental and social impacts. ○ The Policy should require that IDB or the borrower conduct <i>strategic environmental and social assessments (SEA)</i> for large investment and programmatic loans that have significant direct or indirect environmental and social impacts or risks. 	<ul style="list-style-type: none"> ● The new draft policy establishes a clear mandate to identify potential environmental challenges and opportunities associated with Bank operations. As stated in the Directive A6 of the new draft policy, the Bank will identify at an early stage of project/program identification priority issues, and will adopt a

	<p>risk management approach to promote and facilitate enabling conditions for proper environmental management. Especially critical are the public and private sector operations that are potentially environmentally and socially sensitive and controversial. The design and implementation of these operations will be subject to the set of safeguards requirements (established under Directives B of this Policy).</p>
<p>A.3. Country-level and regional-level programming, on the basis of Directive A.1, should incorporate provisions to support borrower countries in meeting their agreed national obligations under international environmental agreements, including those addressing trans-boundary global and regional environmental public goods.</p>	
<p>Summary of comments from participants</p>	<p>Bank's Policy Team Response</p>
<ul style="list-style-type: none"> ○ The policy should establish actions concerning capacity building to meet biological diversity objectives ○ The policy should establish that both "nationally" and "internationally" recognised fragile or unique ecosystems should be protected. ○ The Bank should play an active role in <i>assisting countries in assessing the impacts of multilateral, regional and bilateral negotiations</i> and addressing these impacts whether on the environment, social or economic front. The Bank should direct funds to <i>help countries meet their international environmental obligations</i>. ○ Define clearly the kinds of instruments that will be used to support environmental institution building and capacity strengthening programs at the regional and sub-regional levels, including technical cooperations. 	<ul style="list-style-type: none"> ● The Bank supports member countries address environmental concerns within the framework of international conventions and agreements. Directive A4 of the Policy draft establishes Banks mandate to support technical and financial activities at a regional and sub-regional level, including maintaining an active portfolio of technical co-operations in a wide range of areas concerning capacity building and development of good practices in management of internationally significant environmental resources.
<p>A.4 As mandated in the Eighth Capital Replenishment, the Bank should continue to finance operations, in the context of the agreed priorities of the beneficiary countries, to pro-actively enhance environmental quality and natural resource sustainability.</p>	

Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ Emphasize sustainable management tools such as forest certification ○ The policy should promote involvement of state and local governments, local communities, land owners and private sector in management of Protected Areas. ○ The Bank should emphasize the promotion of renewable energy (eg geothermal, wind, solar, biomass, mini-hydro), energy conservation, and the efficient and clean use of energy resources, while phasing down investments in polluting energy resources and those contributing to climate change. ○ The policy should provide guidance in assessing biodiversity-rich areas as well as areas which are in danger. 	<ul style="list-style-type: none"> ● Directive A2 in the new draft policy addresses the need to proactively enhance environmental quality and natural resource sustainability. It establishes the need to address a range of activities, including the strengthening of institutional development, capacity building and environmental governance at all levels, from national to state to local levels, and to involve civil society, private sector and direct beneficiaries of Bank operations. Best practices to enhance environmental performance (i.e. renewable energy, energy efficiency, land and marine-resource protection, forest management, biodiversity protection through protected areas, etc.) will included in the Policy Implementation Handbook.
<p>A.5 Projects should incorporate, as applicable, measures to mainstream the environment in design and execution.</p>	
Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ The Bank should include indicators that measure environmental quality in borrowing countries and progress in achieving adequate management, protection, and conservation of natural resources. In the case of projects with notably high environmental risks, the Policy should require that the Bank engage independent environmental or technical organizations to assist in monitoring and evaluating the project. ○ It is recommended that an additional directive be added on “Projects Already under Construction”. It is recommended that the Environment Policy <i>prohibit</i> the financing of <i>projects already under construction unless</i>: (1) the IDB can demonstrate that the project has been designed according to standards and procedures that comply fully with those of the IDB, and (2) in cases where projects were not designed according to such standards, the IDB has a credible plan for fully resolving the identified environmental shortcomings of the project, backed by sufficient funding. 	<ul style="list-style-type: none"> ● Directive A5 of the new draft policy requires that verifiable indicators be incorporated early on in programming activities to track country-level environmental performance. At the project level, Directives B6 and B8 of the new draft policy establish the set of requirements for monitoring and evaluation, which are defined through a set of mechanisms that are part of project classification and design. Requirements and responsibilities for supervision during execution are addressed in Directive B9 of the Policy Draft.

<ul style="list-style-type: none"> ○ The Bank needs to provide assurance through specific mandates that environmental supervision and evaluation functions are performed properly throughout the Bank and for all Bank activities. 	<ul style="list-style-type: none"> • Directive B12 of the Policy Draft establishes specific requirements for projects under construction, including the assessment of potential environmental and associated social impacts and risks. The implementing procedures contained in the Implementation Handbook establishes the mechanisms for compliance with environmental and associated social standards, liability and company environmental, health and safety management systems.
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B. Safeguarding the environment (general)

Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ It is recommended that the Safeguards Handbook mentioned in the policy be an essential tool to help standardize environmental evaluations and management programs of all Bank's activities. ○ The policy should establish how the Safeguards Handbook will be compiled and whether it will be available for consultation by interested parties. Assure that the Safeguards Handbook clarifies what procedures, guidelines, and standards will be implemented. When sector policies are included, clarify how updates of these, or new policies are to be included in the Handbook as part of the updates. ○ It is necessary that the policy establish how <i>precautionary principle /precautionary approach</i> is used during the project appraisal phase as related to environmental issues. 	<ul style="list-style-type: none"> • The Scope section in the Policy Draft makes reference to the Environment and Safeguards Policy Implementation Handbook (The "Implementation Handbook") as a key element supporting the Policy, since it contains the implementing guidelines, procedures and standards that will ensure the consistent application and compliance with the specific policy directives contained in the Policy. • The Implementation Handbook will be composed of three main sections: relevant policies, guidelines and good practices. The relevante guidelines will be made available for review and feedback. • The new draft policy establishes in the introduction to Directives B (Safeguarding the environment) that the Bank takes a precautionary approach to envi-

	<p>ronmental impacts, that is where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation .</p>
<p>B.1 All Bank operations must comply with the following safeguards, in accordance with the nature and scope of the relevant document:</p> <ul style="list-style-type: none"> • The Directives of this Environment and Safeguards Compliance Policy. • Environmental relevant provisions for transparency and disclosure of information, as stated in the <u>Disclosure of Information Policy (OP-102)</u>. • Environmental relevant provisions for addressing resettlement issues, as stated in the <u>Involuntary Resettlement Policy (OP-710)</u>. • Environmental relevant requirements for disaster preparedness, prevention, and environmental impacts as stated in the <u>Natural and Unexpected Disasters Policy (OP-704)</u>. • Environmental relevant requirements arising from the Bank’s [proposed] Indigenous Peoples Policy. • Environmental relevant requirements of applicable Bank Sector Policies, including: Agriculture, Forestry, Fisheries, Mining, Tourism, Transportation, Public Health, Basic Environmental Sanitation, Rural Development, and Energy. • Safeguards for pesticide use, dams, and international water ways, which are currently being developed by the Bank and which will be explicitly stated as part of this policy in its final version 	
Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ The policy should provide links or pointers to the other policies not directly related to the environment policy. 	<ul style="list-style-type: none"> • To guarantee environmental viability of Bank operations, the Implementation Handbook will contain references to the existing Bank policies, and will refer to the environmentally relevant provisions of those Policies (enunciated in directive B1 of the new draft policy). Those Bank Policies, together with the directives of this Policy, constitute the Bank’s mandatory Environmental Safeguard Policy Framework.

B.2 Environmental Assessments carried out for public and private Bank operations must adhere to the following provisions:

- **Screening for impacts.**
- **Assessing Impacts**
- **Disclosing information and consultation**
- **Managing impacts.**
- **Monitoring, Supervising and Evaluating**

Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ The policy does not detail IDB's screening procedures and categorization of projects. Define what types of operations will the IDB deem to constitute "significant adverse impacts"? Improve content on: <i>Specificity on Screening</i> and categorization of the project, and the type of subsequent EA/EIA and the ESMP that are merited, and required <i>contents</i> of Environmental Assessments. Incorporate innovative mechanisms early in the planning process, such as SEA, including applications to regional programs such as Plan Puebla Panamá. ○ Take full account of <i>resettlement requirements</i> related to IDB-sponsored projects. ○ Introduce the importance of following national legislation on EIA. Define with more clarity the use of, and reference to good international practices, and their preference over national laws. <i>EA</i> should be tied in as much as possible to national processes to ensure integration between the environmental requirements of IDB projects and other projects in country. ○ Express better the consultation and information disclosure requirements. Include (i) milestones and timetables for information disclosure ahead of major decisions by the IADB, (ii) specific advice for information in-country in appropriate language and format, as well as for worldwide disclosure using IADB's Web site, and (iii) establish minimum requirements for consultations and more stringent public consultation requirements for high-risk projects. ○ Define whether the policy requires that environmental aspects be included in a general or specific (independent) inspection mechanism. 	<ul style="list-style-type: none"> • Directive B6 of the new draft policy establishes that all Bank-financed operations will be screened and classified according to their potential environmental impacts and risks. The directive establishes that screening be carried out early on (in project concept documents --PCDs), and that potential positive and negative environmental impacts and risks be considered, along with third party activities and potential risks related to associated facilities. • Directive B8 of the new draft policy establishes the necessary requirements for preparation of Environmental Assessments (EA), and specific requirements for EIA, SEA, ESMP based on internationally accepted standards. Such instruments are fully detailed in the Implementation Handbook. • Directives B2 and B3 of the new draft policy establish specific requirements concerning compliance with in-country environmental laws and regulations, and the use on in-country systems to identify and manage safeguard risks. • The participation of civil society is addressed early on the new draft policy,

	<p>as part of the requirements in programming activities and promotion of good environmental governance (Directive A1 in new draft policy). In the Safeguards directives, it is widely addressed in the context of environmental assessment. The Directive B9 of the new draft policy establishes requirements for consultations with affected parties and local non-governmental organizations to ensure their views receive proper consideration. The Implementation Handbook establishes, among others: detailed mechanisms regarding the process and methodologies to involve stakeholders in project design and continued public involvement; the incorporation of comments and feedback through consultations; types and formats of information to promote public participation; and national requirements and actions for public participation. It also establishes internal Bank requirements for consultation considering the types of operations financed by the Bank and the different requirements that each type demands</p>
<p><i>B.3. Bank operations should avoid significantly converting or degrading critical ecological or cultural sites.</i></p>	

Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ The natural habitats reference is weak on <i>critical ecological areas</i>. World Bank's policy on Natural Habitats is more rigid on threats to critical natural habitats. The Bank should not support projects that involve the significant conversion or degradation of critical natural habitats. ○ Particularly important that the IDB environment policy establish safeguards for the protection of natural habitats potentially at risk from IDB projects. The Bank should not support projects in or impacting critical natural habitats, World Heritage sites, IUCN protected areas, and areas protected under the Ramsar Convention on Wetlands. ○ In cases when <i>compensatory measures are not</i> be possible for all such sites, and exclusion criteria for especially valuable habitats should be defined in the policy. ○ Distinguish between "<i>critical natural habitats</i>" and natural habitats (which are deemed not to be "critical") and implications for policy. ○ Integrate <i>biodiversity conservation</i> into project development work. Include <i>innovative</i> ways to support <i>partnerships</i> between country governments, private sector project sponsors, and local and international biodiversity conservation 	<ul style="list-style-type: none"> • The Directive B4 in the new draft policy has adopted a strong language stating that the Bank will not support operations and activities that will significantly convert or degrade critical cultural sites and/or critical conservation areas. It also distinguishes between "critical conservation areas" and "areas of ecological importance".. Explanations of key concepts used in this directive (i.e. "significant conversion or degradation", "critical cultural sites", "critical conservation areas", "areas of ecological importance" and "invasive species") are provided in the endnotes of the document. The Implementation Handbook provides implementing procedures, supporting guidance and best practices regarding this policy directive. • Directive B4 in the new draft policy includes a specific statement concerning the support of conservation initiatives to enhance the sustainability of protected areas and cultural sites.
<i>B.4. All Bank operations must comply with in-country environmental laws, regulations, and standards.</i>	
Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ Both national and international environmental standards should be adopted. It is strongly suggested that <i>internationally recognized quantitative standards for environmental performance</i> be systematically adopted, such as those embodied in the World Bank Group <i>Pollution Prevention and Abatement Handbook</i>. Provide examples of what it considers as <i>internationally accepted standards</i> with which its operations must comply. 	<ul style="list-style-type: none"> • Directive B2 in the new draft policy requires compliance with in-country environmental laws, regulations, standards and environmental assessment procedures. The Directive establishes that standards contained in the World Bank's <i>Pollution Prevention and Abatement Handbook</i> are considered internationally agreed standards to be

	<p>adopted when national environmental standards or environmental assessment procedures differ significantly from international standards. The Implementation Handbook provides supporting guidance and examples of best practices concerning internationally accepted standards.</p>
<p><i>B.5. For projects with potentially significant adverse environmental impacts, economic analysis should be included in the Environmental Assessments in order to provide a plausible indication that the expected benefits of the proposed operation justify residual environmental damages, and that the costs of damage reduction and mitigation can be justified by the benefits.</i></p>	
<p>Summary of comments from participants</p>	<p>Bank Response</p>
<ul style="list-style-type: none"> ○ Provide more clarity difference between, and integration of <i>economic evaluation</i> of projects (benefit-cost analysis) and <i>environmental valuations</i> ○ Define better how <i>economic benefits are integrated in EA</i>. 	<ul style="list-style-type: none"> ● Economic analysis has been incorporated in Directive B8 of the new draft policy, which establishes that category A operations should be complemented and supported by quantitative economic analyses of alternative measures to avoid or mitigate adverse environmental impacts and risks. It is also incorporated in SEA, which assesses environmental, social and economic outcomes and benefits to establish priorities for action.
<p><i>B.6 The IDB should encourage borrowers and executing agencies to ensure, wherever possible, that the goods and services procured under IDB-financing have been provided in an environmentally responsible manner by environmentally responsible suppliers.</i></p>	

Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ The policy should also cover contractors and sub-contractors, to ensure that the environmental standards applicable to the IADB-financed project are adhered to by their (sub)contractors, and project sponsors must have satisfactory systems in place to supervise and monitor contractors. ○ The policy should encourage procurement that is “environmentally responsible” 	<ul style="list-style-type: none"> • Corporate environmental responsibility is first addressed in Directive A7 of the new draft policy, establishing objectives to reduce wasteful consumption, reduce consumption and emissions of harmful substances, and facilitate environmentally responsible business practices in its own administrative activities. • The directive B16 of the new draft policy widens the scope to include all procurement financed by the Bank, Borrowers and Executing agencies, requiring that such procurement does not violate the Bank’s environmental and associated social principles, policies and procedures related to environmentally responsible works, goods and services.

POLICY IMPLEMENTATION AND COMPLIANCE

Summary of comments from participants	Bank Response
<ul style="list-style-type: none"> ○ Establish <i>how often will the policy be reviewed</i>, as well as when and how will ex-post evaluation take place ○ The policy should establish a clearer framework that will provide <i>incentives for the regional divisions and private sector division</i> to comply with it. Some such elements include: Use of <i>performance appraisals</i> for staff to evaluate whether staff has implemented the new environment policy adequately; require that <i>project task</i> teams be the first line for implementing the Policy (EN staff would assist and monitor their compliance efforts); establish a <i>centralized compliance assurance team</i> that would ensure consistent application of the Policy among the Bank’s divisions, counter the conflict of interest that would arise from having the lending unit supervise their compliance, and monitor compliance for the projects that pose high environmental risks for the IDB and borrower. ○ <i>Assure compliance/Implementation through adequate resources</i> (staffing, procedures 	<ul style="list-style-type: none"> • Section V of the new draft policy establishes key aspects for policy implementation and compliance. It establishes when the policy enters into effect, establishing a time frame to implement administrative changes and procedures for its implementation. It also establishes a requirement for reporting on the results of the implementation of the policy and achievement of objectives, and a review three years after the approval by the Board, as part of a mid-term assessment, which will include consultations with clients, beneficiaries, and representatives from civil society,

and organizational structure)	private sector and NGOs. <ul style="list-style-type: none">• An important addition in the new draft policy is the development of a set of core indicators at the country strategy and project design/implementation levels, included in the Implementation Handbook, to help ensure compliance and monitorability/evaluability of the policy.
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