

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS  
(CCLIP)**

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**ENVIRONMENTAL PROCEDURES AND SEA GUIDANCE**

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## **1. Background**

The Bank has developed a new lending instrument, the Conditional Credit Line for Investment Projects (CCLIP), approved by the Board in 2003. Given that all operations of the Bank must be environmentally and socially sustainable under the mandate of the 8th Replenishment, the present document outlines the environmental procedures for the CCLIP and provides guidelines for the preparation of the Strategic Environmental Assessment process (SEA) adapted to the characteristics of the CCLIP. This document is based on the Board approved “*Proposal for a New Lending Instrument Conditional Credit Line for Investment Projects*”, GN-2246.

## **2. Review of Procedures**

Once the Bank has gained some experience in lending for CCLIPs, the present *Environmental Procedures and SEA Guidelines* will be reviewed by SDS/ENV and DPP/SPO, adjusted as needed and submitted to the CESI for approval.

## **3. The CCLIP Instrument**

The Conditional Credit Line for Investment Projects (CCLIP) is a lending instrument for financing investment projects that will increase the Bank’s efficiency and speed in the loan preparation and approval process, and reduce loan-processing costs for both the Bank and its Borrowers. The CCLIP will provide a credit line to finance investment projects in those cases where there is a good track record of similar previous Bank-financed operations in a given country and sector. The credit line will finance additional similar projects through individual loans.

To obtain this line of credit, the previous operations must have had a satisfactory performance, and the executing agency must have been the same for previous operations and maintained a solid track record of good performance. Similarly, the approval of individual loans against the line of credit will be subject to the satisfactory performance of the previous operations financed under the credit line.

The processing and authorization of the Credit Line will be similar to that of investment operations. On the other hand, the individual loan operations under the Credit Line, will be approved under streamlined document and committee approval requirements, thus accelerating the speed at which these operations are approved.

The authorization of the Credit Line will result in a “conditional commitment” by which the Borrower and the Bank will not actually incur the cost of committing resources until the individual loan operations are approved.

## **4. Environmental Procedures for the CCLIP**

The proposed procedure to review the environmental<sup>1</sup> sustainability of the CCLIP consists of two stages:

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<sup>1</sup> As defined in the IDB Environment strategy, “environment” is defined in its broad sense, which includes the physical environment (geophysical), the biological environment (biotic), and the human environment (anthropic).

**STAGE I: APPROVAL OF THE LINE OF CREDIT:**

The approval of the CCLIP line of credit will follow the standard Bank procedures. While the CESI review follows PR-204, the documentation to be submitted somewhat differs (see figure 1 below).

**For the PCD:** the PCD for the credit line should include the Environmental and Social Strategy (ESS) as stated in PR-204 which will indicate its need for a Strategic Environmental Assessment (SEA). The ESS will also present a preliminary assessment of the environmental and social track record of the Executing Agency during the execution of the previous operations. This assessment will form part of the overall review undertaken to establish the executing agency's compliance with the eligibility criteria to access a CCLIP credit line.

**For the Project Report:** the CCLIP Project Report documentation should include: a) A final assessment on the environmental and social track record of the Executing Agency, with recommendations to address weaknesses or shortcomings, and b) A report on the Strategic Environmental Assessment<sup>2</sup> conducted (see section 5 below, Guidance for SEA)

The assessment of the executing agency's track record is performed by the Bank or its consultants, and should address the following specific considerations:

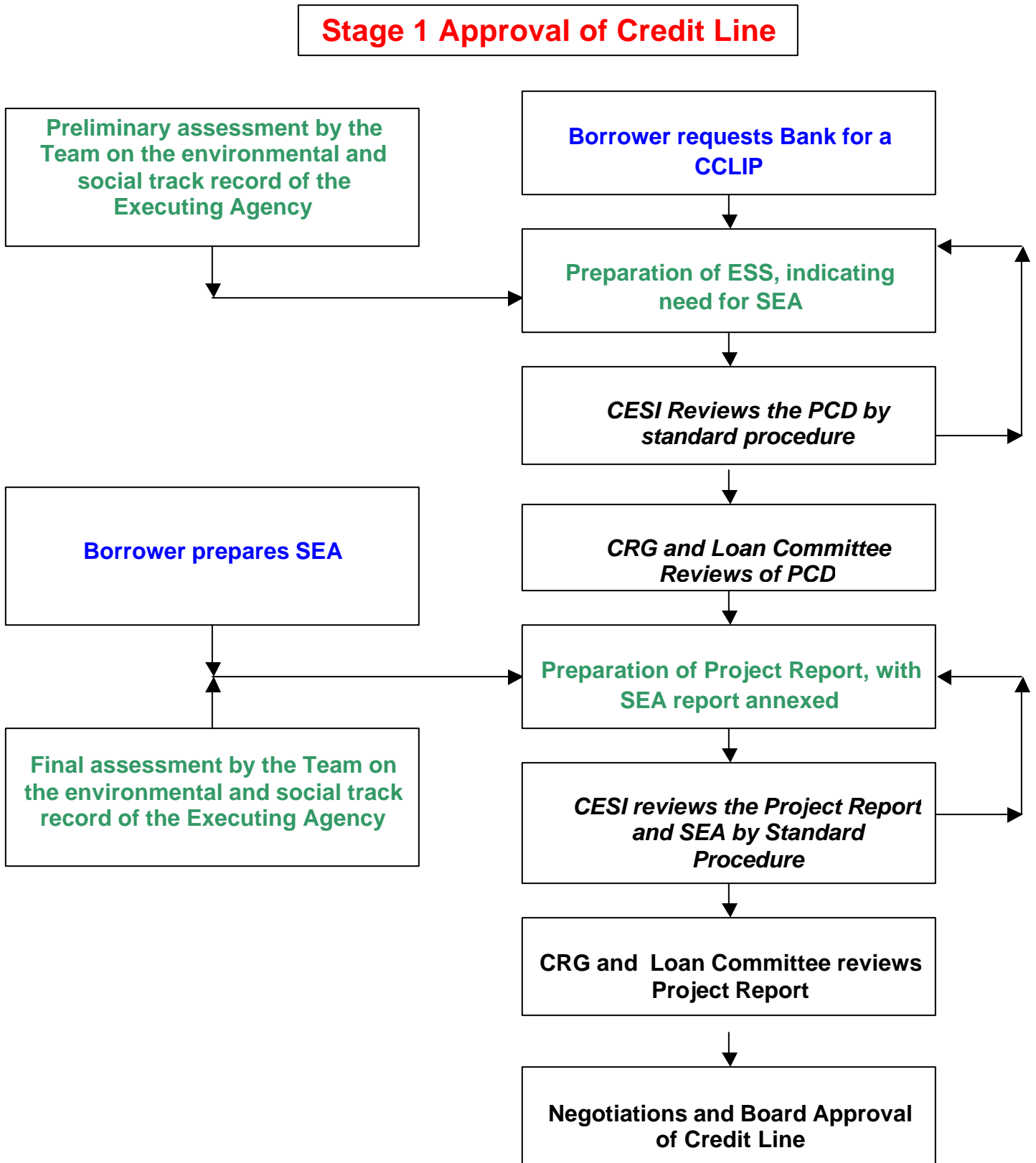
- A review of the Executing Agency's compliance status with applicable country (national, state, municipal) environmental, social, health and safety, and labor regulatory requirements;
- A review of the Executing Agency's compliance status with IDB environmental and social policies (as applicable);
- A review of environmental and social management capacity and track record of the institution regarding its previous similar operation(s);
- An opinion of the IDB's reputational risk, associated to the Executing Agency's environmental, social, and/or labor practices.

The SEA process should be performed by the executing agency, and presented to CESI, during the Credit Line preparation process. The SEA will identify, for each type of investment to be financed under the CCLIP credit line, possible environmental and social scenarios that could arise, the type of environmental assessment required and mitigation measures. These results will be included in the credit line's Operational Regulations, becoming the environmental guidance for the individual loan operations financed under the line of credit. Detailed guidance and methodology for what an SEA should contain for the CCLIP are included in section 5 of this document.

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<sup>2</sup> The SEA report and the assessment of the environmental and social track record of the executing agency will substitute the Environmental and Social Management Report (ESMR) as requested by the CESI in PR-204.

Flowchart 1: Environmental Procedures for Line of Credit Approval



## **STAGE II: INDIVIDUAL LOAN OPERATIONS UNDER THE LINE OF CREDIT:**

Once the line of credit is approved, individual loan operations can be financed under the credit line. These loan operations are approved using a streamlined procedure. They do not require a Project Concept Paper (PCD). Only a Project report is necessary.

Prior to the Analysis Mission, the project team will need to consult with the appropriate CESI members<sup>3</sup> on the project-specific environmental and/or social issues that might arise, and measures to address them. This consultation will use the environmental guidelines set forth in the credit line's Operational Guidelines. No formal approval by the CESI will be required at this stage. Once drafted, the CESI will review the Project Report by simplified procedure.

In the event that the individual loan operation requires an EIA<sup>4</sup>, the project team, prior to the Analysis Mission, should inform the appropriate CESI members (as defined above) of the intention of preparing an EIA, and seek guidance regarding project specific issues (such as resettlement, indigenous or environmental issues including terms of references for the EIA). This would not require a formal approval of the CESI at this stage. Once the EIA is completed under the guidance of the Operational Department environmental specialist, the ESMR is submitted with the project documentation, as per PR-204, for CESI review by standard procedure (see figure 2 below).

The documentation for the Project Report should include the Environmental and Social Management Report (ESMR) as detailed in CESI procedures PR-204. The following information should be included in the ESMR of the CCLIP individual loan operations:

- A reference to the environmental and social measures defined by the SEA, prepared for the Credit Line, for the type of investments included in the individual loan operation.
- A description of the divergences from the original SEA scenario, if any. What has changed in terms of environmental and social issues, the regulatory context, or other changes, and its implications for the investment, based on updated baseline information.

It is the responsibility of project teams to clearly identify significant changes that have occurred in the environmental and social baseline from the time the SEA was performed (i.e. resettlement issues), based on solid factual and consultation evidence. Such factual baseline information and consultation evidence should be the criteria used by the CESI to determine whether the executing agency has fully assessed the environmental and social impacts of the Individual Loan Operation.

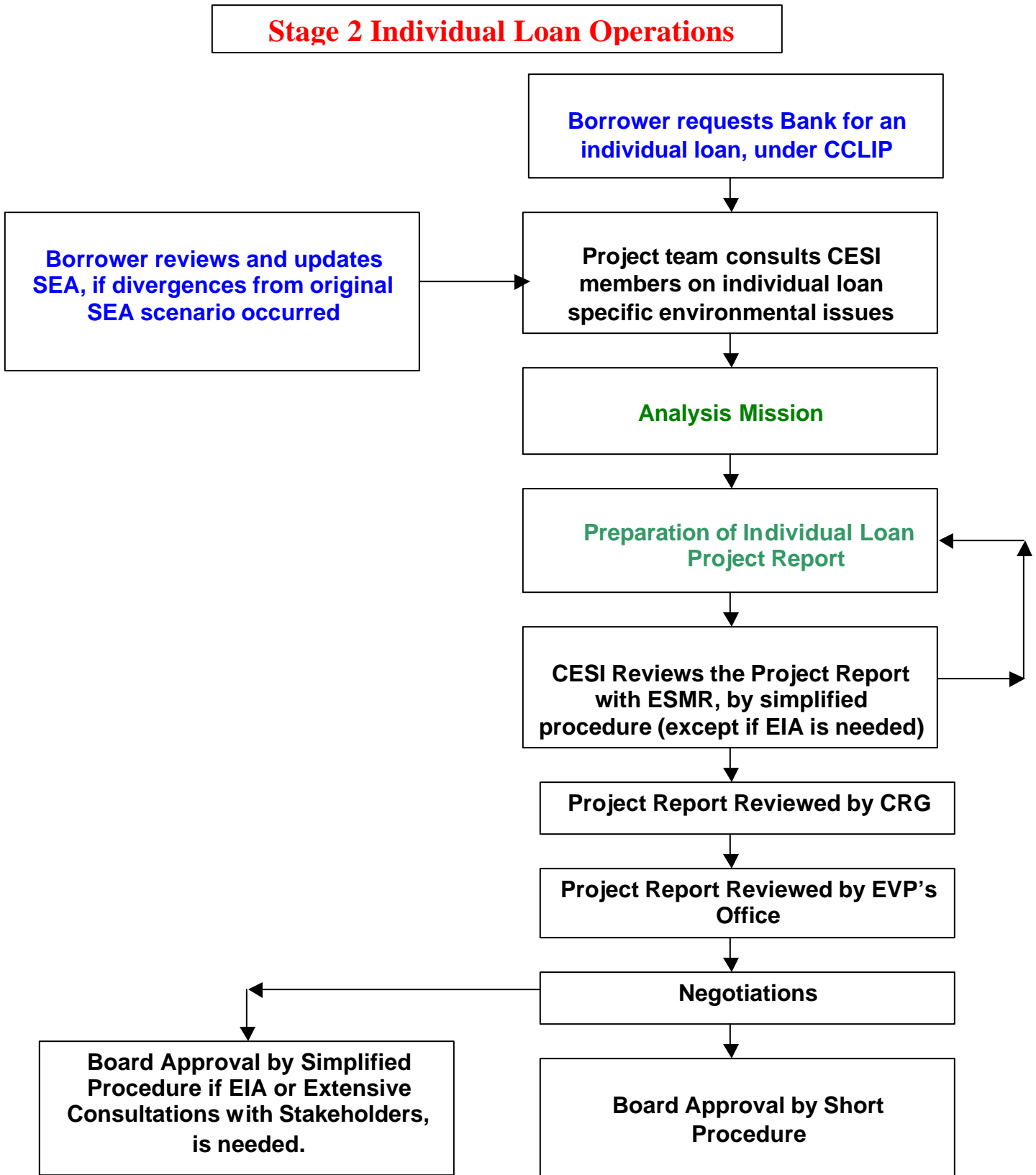
If such changes trigger more stringent studies than were originally contemplated (such as a resettlement plan, for example, when in the original SEA there was no resettlement planned), the team has the responsibility of making such evidence transparent to the public and to the Bank, as stated in PR-204.

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<sup>3</sup> The appropriate CESI members will be determined in collaboration with the CESI Secretary on a case by case basis.

<sup>4</sup> Criteria for EIA requirement are a function of national/state environmental laws, Bank policies and procedures, and good professional practices. CCLIP operations requiring an EIA should be submitted to the same public disclosure requirements of policy OP-102.

Flowchart 2: Environmental Procedures for the approval of the Individual Loan Operation under the CCLIP line of credit.



## **5. Strategic Environmental Assessment Guidance for CCLIP operations**

### **5.1 Relevance of Strategic Environmental Assessments (SEA) to the CCLIP**

SEA is a decision support tool conceived to upstream environmental and social issues early in decision-making, improving the planning and programming of individual loan operations under a CCLIP, by:

- Clarifying the context and scope of future individual loan operations;
- Identifying environmental issues and challenges early, at the credit line approval stage;
- Proposing a guiding framework for environmental decision-making for the execution of individual loan operations.

SEA can also play a major role in identifying opportunities for environmental enhancements, and providing an early warning regarding cumulative impacts which can result from individually minor but collectively significant actions taking place over a period of time.

Given particular characteristics of the CCLIP lending instrument, the SEA will be conducted as the Credit Line is created. The scope of the SEA process should be adapted to the nature and scope of the investments proposed under the credit line. This guidance is written to cover the broad range of individual loan operations that might be proposed under a credit line, and should be adjusted by the team according to the nature of the proposed investment. This guidance is written to help teams involved in CCLIP proposals, for specialists preparing TORs for SEA and for reviewers of those same SEAs.

The role of SEA in the design of the Credit Line is to perform the *ex-ante strategic environmental assessment of the consequences* expected with the types of investments to be funded by the individual loan operations under the credit line. The SEA must be done simultaneously, and in close articulation, with the preparation of the CCLIP credit line proposal. SEA must assist the design of the credit line with the identification and assessment of significant issues.

The SEA process for the CCLIP is based on the executing agency reviewing and assessing the environmental lessons learned from their previous experience in implementing similar investments, extracting useful guidance for future investments that are contemplated under the line of credit.

The SEA should propose strategies for environmental protection and/or enhancement for each type of investment proposed under the CCLIP. The SEA should also identify, if applicable, additional studies that may be required for the individual loan operations, such as an EIA, and/or a resettlement plan or a cumulative impact assessment, establishing the terms of reference for the assessment of subsequent projects. Finally the SEA should issue the broad content of an environmental and social management program, including CCLIP monitoring and evaluation parameters, to be further detailed by each individual loan operation. The SEA should propose guidance for CCLIP monitoring and evaluation of the environmental and social performance of the credit line.

## **5.2 Methodology of SEA for the CCLIP**

The methodology for SEA is based on a six-step process, as outlined in Table 1. The SEA should be carried out during the preparation of the credit line proposal.

The application of SEA must be made context specific; in other words, the scope and application of SEA must be adapted to the type of investments to be financed under the credit line. For each type of investment it should spell out the nature and scale of the environmental and social issues that could arise, the information needs, the level of associated uncertainty, and the stakeholders involved.

<b>Table 1 – SEA methodology in 6 steps</b>
1. Understanding the Credit Line proposal
2. Setting the context for SEA
3. Defining a participatory approach
4. Scoping major issues and alternatives
5. Assessing environmental and social outcomes and benefits
6. Establishing a program for subsequent action

### ***Step 1. Understanding the Credit Line proposal***

- Understand the objectives of the credit line and the scope and nature of individual loan operations to be financed under the credit line;
- Analyze past performance of previous similar operations;
- Compare the proposed investments with past experience: similarities and differences, if any;
- Identify expected environmental and social risks and opportunities, sectoral links and potential challenges for the investment.

**Tools:**

- Policy-analysis tools (interpretation of documents, analysis of the decision-making process, analysis of performance track-record of the executing agency, etc).

**Outputs:**

- A brief description of the credit line objectives, the proposed individual loan operations (nature, location and size), the executing agency, and its previous experience in similar project(s).

## **Step 2. Setting the context for SEA**

- Review the relevant Bank policy framework, and national, legal and permit requirements (on environmental, socio-cultural and sustainability issues) for the CCLIP, considering the objectives of the credit line and the investment to be financed under the credit line (nature and scope);
- Establish the objectives of the SEA for the credit line;
- Estimate information needs, sources and availability for the SEA;
- Identify relevant stakeholders;
- Consider institutional framework and responsibilities, needs and timing for key stakeholders participation, timing of credit line preparation related to the individual loan operations and required SEA inputs.

### *Tools:*

- Stakeholder analysis; (including, as appropriate, public and private institutions, civil society and indigenous communities);
- Meetings or workshop of executing agency and other relevant stakeholders;
- Policy analysis tools (interpretation of documents, preparation of checklists, etc.)
- Past experience review of similar cases, whenever adequate

## **Step 3. Defining a participatory approach**

- Assess the need for, and the scope of information, consultation and participation needs;
- Establish mechanisms that will enhance communication capacities adapted to the characteristics of the identified stakeholders.

### *Tools:*

- Consider IDB guidance on socio-cultural analysis and participation of stakeholders;

### *Output of Step 2 and 3*

- Summary of the SEA objectives, process, methodologies, participatory mechanism and expected outcome.

## **Step 4. Scoping major issues and alternatives**

For the credit line as a whole and for each type of investment to be financed under the credit line:

- Identify past environmental and social impacts or problems based on previous similar operations executed by the executing agency;
- Check for public and institutional major concerns – conduct consultations as appropriate;

- Identify major potential environmental and social impacts including possible direct, indirect and cumulative impacts, based on available information and the process established in the previous steps, including:
  - Key environmental and social issues (including, if applicable, gender issues, impacts on indigenous and afrodescendant communities, on vulnerable groups, and occupational safety and health concerns);
  - Legislative, regulatory and other policy requirements whether national or international;
  - Major sectoral challenges (institutional, legal, environmental, social, economic);
- Identify the expected environmental and social outcomes and related indicators of good environmental and social performance;
- Consider scenarios by types of initiatives planned, and develop possible alternatives that meet the objectives of the CCLIP proposal.

*Tools:*

- Review of past experience of similar investments;
- Checklist of relevant environmental and social issues;
- Checklist of relevant existing studies and data, respective sources and conditions of availability (use available data in national statistics, spatial development plans, state of the environment reports, environment and social baseline monitoring data, sustainable development reports, university research studies, depending on available documents);
- Consider the guidance on socio-cultural analysis for problem analysis and involvement of stakeholders;

## **Step 5. Assessing environmental and social outcomes and benefits**

- Establish adequate environmental and social assessment criteria by type of investment to be financed under the credit line;
- Identify any further relevant information/additional studies if necessary, following results of scoping and participation;
- Consult and interact with the appropriate and relevant stakeholders;
- Assess impacts and opportunities of the different alternative scenarios, with reference to a preferred scenario;
- Assess the proposed CCLIP, considering the problems identified, the expected opportunities and the added-value, identifying the risks for potential environmental and social impacts and cumulative impacts;
- Identify forms of improvement of the proposal that overcome identified problems and enhance opportunities.

*Tools:*

- Critical analysis of past experience with similar cases, whenever adequate;
- Analysis of relevant studies and data from existing sources
- Checklist of criteria for comparative evaluation of alternatives;
- Use adequate analytical tools to assess alternatives, such as policy matrix, or expert judgment methods.

**Step 6. Establishing a program for subsequent action**

- Present the key direct and indirect social/environmental *impacts* or risks for each type of investment financed under the credit line, including, if applicable, gender issues, impacts on indigenous and afrodescendant communities, on vulnerable groups, and occupational safety and health concerns;
- Present the general social/environmental processes or *measures* to avoid, minimize and mitigate the key direct and indirect impacts or risks identified above;
- Establish the institutional *responsibilities* to implement these measures, with an explanation of the institutional capacity to successfully handle these responsibilities;
- Establish the general *schedule* and *budget* proposed for the implementation and management of the social/environmental measures under the individual loan operations;
- Establish the *consultation* or participation efforts needed and the information *disclosure* requirements for the individual loan operations, as required;
- Establish the framework for the *monitoring* of social and environmental impacts throughout the execution of the individual loan operations, including clearly defined performance indicators, monitoring schedules, responsibilities and costs, to be further detailed for each individual loan operation;
- *Feed-back* mechanisms: use indicators to assess performance, including the institutional performance of the executing agency;
- Specify conditions that would trigger the need for an EIA.

*Tools:*

- Use adequate analytical tools to establish adequate monitoring indicators;
- Consider the guidance on socio-cultural analysis for socio-cultural analysis indicators.
- Learn from past experience on similar cases, whenever adequate.

*Output:*

The SEA report for the credit line presenting the points outlined in Step 6 above and to be annexed to the credit line's operational regulations.