



Banco Interamericano de Desarrollo  
Inter-American Development Bank

**Draft Policy**

**ENVIRONMENT AND SAFEGUARDS  
COMPLIANCE POLICY**

November 12, 2004

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**I. INTRODUCTION**

The proposed Environment and Safeguards Compliance Policy builds upon past and recent Bank experience on environment, and seeks to position the Bank to respond to current paradigms of environmental sustainability. The Inter-American Development Bank was the first Multilateral Development Bank to adopt an Environment Policy in 1979 (OP-703), broadly mandating the institution to ensure the environmental quality of its operations and support environmental projects in the region. During the late 1980s and early 1990s the Bank actively supported and embraced the principles leading to the Rio 92 Declaration on the Environment. As a result, the 1994 Eighth Replenishment of Capital declared the Environment as a priority for Bank support and included a number of specific environmental mandates that has guided Bank work up to the present. In 2003, the Board of Executive Directors endorsed the new Environment Strategy (GN-2208-4, 2003), which set forth a course of action for enhancing sustainability outcomes, particularly by mainstreaming environment as a cross-cutting dimension of social and sustainable development. The Environment and Safeguards Compliance Policy is intended to provide the necessary directives to put into operation key priorities stated in the Bank's Environment Strategy. The resulting Policy Document, once approved, will replace in its entirety the Bank's Environment Policy (OP-703).

**II. SCOPE**

The Environment and Safeguards Compliance Policy applies to the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (MIF). Activities and instruments subject to the policy include development of country strategies, financial and non-financial products, public sector and private sector operations, financial intermediation, as well as environmental aspects of the Bank's project procurement practices. The directives of this Policy will apply to new Bank operations and activities following Board approval of the Policy. Its mandates are not retroactive.

The reformulation of previously approved operations, where approval of the same is required by the Bank's Board of Executive Directors, will be screened and assessed in terms of potential environmental risks. Project teams must make a judgment as to whether the reformulation raises significant environmental implications. In such cases, this policy would be applicable and approval of the reformulation will be subject to securing necessary agreements or consents of applicable stakeholders pursuant to the relevant legal documentation. The reformulation proposal documents should address the fulfillment of this requirement.

This Policy is supported by an Environment and Safeguards Policy Implementation Handbook ("Implementation Handbook") containing implementing procedures and standards approved by

Bank Management, pursuant to the specific policy directives contained in the Policy. The Implementation Handbook sets out guidelines, best practices and definitions to assist borrowers, project sponsors, project teams, executing agencies and other interested parties.

This Policy is grounded in the principles of sustainable development embraced by the Bank. The word “environment” as used in this Policy is defined in its broad sense, which includes physical/chemical factors (geophysical), biological factors (biotic), and associated human and social factors (anthropic). This policy encompasses social aspects to the extent that these aspects are associated with physical and/or biological impacts and risks. Also, this policy reinforces the Bank’s established course of action toward adopting corporate social responsibility practices, of which corporate environmental responsibility is an integral element.

### **III. OBJECTIVES**

The goal of this Policy is to contribute to advancing the Bank’s mission for promoting sustainable development and reducing poverty across the Latin American and Caribbean region. The specific objectives of the Policy are: (i) to maximize development benefits and environmental sustainability outcomes in Bank operations and activities; (ii) to manage risks to ensure that all Bank operations and activities are environmentally viable, and (iii) to improve and promote corporate environmental responsibility within the Bank. These specific objectives will be achieved through Bank measures to mainstream the environment into overall economic and social development, and to safeguard the environment in all Bank activities.

### **IV. POLICY DIRECTIVES**

The Policy Directives are structured under two major categories: mainstreaming environment and safeguarding the environment and managing risks.

#### **A. Mainstreaming environment**

The Bank will act to mainstream environment as an integral aspect of economic and social development. The concept of environmental mainstreaming as used in this policy refers to addressing environmental issues strategically as a cross-cutting dimension of development in order to enhance overall economic and social development through the efficient use of natural resources and environmental sustainability. Mainstreaming environment implies moving beyond environmental impact mitigation to a more encompassing and strategic view of environmental management. This strategic view begins at the level of pre-programming and programming processes and addresses in an integrated manner issues of governance, policy, incentives, and priority setting for environmental and natural resources management. The Bank will focus its mainstreaming efforts in its borrowing member countries on:

- Pursuing environmental activities that reduce poverty, enhance social and economic development and increase overall quality of life.

- Developing effective environmental management frameworks and transparent governance mechanisms that strengthen institutions, involve civil society, make use of effective environmental management instruments, and address critical policy issues.
- Preserving and improving the Region's natural resource base, enhancing competitiveness, facilitating market development for environmental goods and services, and promoting private sector participation in environment-related activities.
- Strengthening regional integration, including regional environmental institutions and their ability to protect and manage environmental public goods.

Policy directives for environmental mainstreaming are defined in relation to country strategies and programming processes; design and execution of operations; and Bank's corporate social responsibility.

***A.1. The Programming process, whereby the Bank defines its strategies and identifies its operations at the country and subregional level must analyze, establish priorities, and assess the state of enabling conditions for environmental management in relation to priority areas of intervention discussed and agreed with each borrowing member country.*** Country-level environmental analysis supporting the process in the development of programming documents will consider, among other factors, the following: (i) the identification of environmental priority issues across sectors, their causes and impacts; (ii) the effective state of environmental governance (e.g., level of institutional development, civil society participation, access to information, adequacy of the legal and policy framework, and public sector capacity for environmental management); (iii) past and on-going actions of the Bank and other multilateral financial institutions (MFIs) and agencies; (iv) the definition of strategic priorities for Bank financing and action; and (v) strategic priorities adopted by the Bank to supervise its strategy based on relevant and available key baseline indicators, such as the Millennium Development Goals (MDGs) among others; and (vi) relevant subregional environmental factors. The results of the analysis should be discussed with the country's government authorities and civil society.

Based on the results of the country level environmental analysis, the Bank will discuss with the borrowing member country strategic objectives and possible actions to address key environmental issues in a cross-sectoral manner. Relevant programming documents, as appropriate, should reflect the agreements achieved between the Bank and the Government resulting from the programming process. Policy Directives A.2 through A.5 build on the required analytical and strategic work stated in this Directive.

***A.2. In defining the country program, and in the context of the agreed priorities of the borrowing country, the Bank will incorporate operations that proactively enhance environmental quality and natural resource sustainability.*** The Bank will continue to support countries in identifying and financing, if agreed with the member country, an array of environmental and natural resources management operations. Such operations may include, without limitation, those that: strengthen institutional development, capacity building and environmental governance at all levels; promote the efficient and clean use of energy resources; improve the urban environment; contribute to the sustainable management of land- and marine-based natural resources; protect biodiversity and fragile ecological systems; combat

desertification and reverting soil, water and air degradation; improve managing watersheds and water resources; and promote the reduction and control of greenhouse gas emissions. Overall, Bank operations must be guided by principles of financial sustainability and both socio-economic and institutional viability to maximize long-term development impacts.

***A.3. If agreed with the borrowing member country or project sponsor, the Bank will finance environmental and natural resources management components in non-environmental operations, provided these components bring increased net-benefits for the operation as a whole.*** Where such measures are included, individual operation level indicators should be added to the operation's design for measuring the project's contribution towards agreed environmental sustainability outcomes. During the operation's execution, the Bank will monitor environmental mainstreaming outcomes defined in the design through monitoring reports.

***A.4. In the context of the country and subregional programming process, the Bank, as agreed with the borrowing member country or countries, will support regional environmental and natural resources management initiatives, and will incorporate, as appropriate, provisions to support borrowing countries in meeting their agreed national obligations under ratified international environmental agreements, including those addressing trans-boundary global and regional environmental public goods.*** These provisions may support, *inter alia*: compliance with national assessments and reporting requirements; general obligations for instituting good practices in management of internationally significant environmental resources; and commitments under regional agreements to strengthen environmental protection. The Bank will provide, as appropriate, and if agreed with the member country or countries, technical and financial support through regional and sub-regional technical cooperation activities on specific issues, as well as national-level lending and capacity development activities. The Bank also will work with bilateral partnerships and multilateral funding sources, including the Global Environment Facility (GEF), in support of these objectives.

***A.5. Bank Country Strategies or other relevant programming documents will incorporate, as applicable, verifiable indicators to track country-level environmental performance.*** . Relevant environmental baseline information on selected priority indicators, which will be agreed with the member country, will be periodically collected and updated in subsequent programming documents or Country Strategies. Particular attention will be given to track performance on internationally agreed targets and goals.

***A.6. Bank operational programming documents, including country Strategies, as appropriate, will identify potential environmental challenges and opportunities associated with proposed Bank investments and activities.*** The Bank will take into account the country environmental analysis as described in A1, or other assessments from environmental due-diligence processes at the stage of project/program identification to assess early-on priority issues. As needed, the Bank may anticipate and adopt a risk management approach to promote and facilitate enabling conditions for proper environmental management. This applies particularly when the Bank's proposed portfolio is likely to include public and private sector operations that are potentially environmentally and socially sensitive and controversial. Once operations have been formally incorporated into the Bank's pipeline for conceptualization and

design, the Environmental Safeguards set out in this policy, as presented below, will apply as appropriate.

***A.7. The Bank will work to reduce wasteful consumption, reduce the consumption and emissions of harmful substances, and facilitate environmentally responsible business practices with respect to its own administrative activities and facilities without compromising cost-effectiveness, equal opportunity and transparency.*** Adjustments to relevant administrative manuals will reflect the principles of corporate environmental responsibility, in line with practices followed by other MFIs.

## **B. Safeguarding the Environment: Managing environmental impacts and risks<sup>1</sup>**

Safeguards are applied throughout the project cycle in order to assure the environmental viability of all Bank-financed operations, strengthen compliance and increase development effectiveness. Environmental safeguards are necessary conditions for managing the overall risks associated with the execution of the Bank's portfolio. Environmental impacts can expose the borrowing member countries, communities and the Bank itself to diverse type of risks, depending on the nature, scale and scope of these impacts. Therefore, addressing these impacts and their associated risks is the fundamental objective of the environmental safeguards established in this policy.

In line with sustainable development practices, the Bank takes a precautionary approach<sup>2</sup> to environmental impacts. The Bank favors avoiding negative environmental impacts. When impacts are unavoidable the Bank requires mitigating measures; for impacts that cannot be fully mitigated, compensation or offsets should be undertaken. The Bank pursues the fulfillment of its commitments defined under the 8th Capital Replenishment of resources, including those actions that optimize the positive environmental impacts of the operations it finances.

The Bank will maintain an institution-wide safeguard and risk management process throughout the project cycle, with procedures and guidelines to oversee the implementation of its safeguards. This applies to Bank operations and activities from both the public and private sectors.

As described in the Scope section of this Policy, the directives set out in B1-B17 below are supported by an Implementation Handbook, approved by Management, that includes procedures, standards and supporting guidance to assist borrowers, project sponsors, project teams, executing agencies, and other interested parties.

### **Safeguard Policies and Directives**

***B.1. The Bank will support only operations and activities that are environmentally viable. To be considered environmentally viable, all Bank-financed operations must comply with the directives of this policy, as well as with environmentally relevant provisions of the following Bank policies, which together form the Bank's mandatory Environmental Safeguard Policy Framework:***

- a) The Disclosure of Information Policy (OP-102).
- b) The Involuntary Resettlement Policy (OP-710).

- c) The Natural and Unexpected Disasters Policy (OP-704).
- d) The environmental mandates of the Eighth Replenishment.
- e) The Indigenous Peoples Policy [under preparation].
- f) The relevant provisions of existing Bank Sector Policies.
- g) Subsequently adopted Bank policies that contain environmentally relevant provisions that by their terms are incorporated into the Environmental Safeguard Policy Framework.

***B.2. All Bank-financed operations must comply with in-country environmental laws, regulations, standards and environmental assessment procedures.*** Where national environmental regulations, standards or environmental assessment procedures differ significantly from the generally accepted international equivalent, the more stringent option generally applies, unless otherwise approved by the Bank. Measurable environmental standards such as the numeric limits contained in “*The Pollution Prevention and Abatement Handbook, Part III*”<sup>3</sup> are considered internationally agreed standards. Where the internationally agreed standards impose an undue burden on the borrower or are not entirely applicable, the borrower may propose deviations to be analyzed within the environmental assessment process and agreed upon by the borrower and the Bank. The Bank will support borrowing member countries in meeting their obligations under ratified international environmental treaties and agreements.

***B.3. The Bank may accept using the borrowing member in-country’s systems to identify and manage the environmental and associated social safeguard risks associated with proposed programs and projects, provided the systems are able to satisfy the requirements and standards of this policy.*** The Bank will assess the country’s policy and institutional framework and the effectiveness of its regulatory framework, including the track record for implementing and enforcing applicable laws, regulations, rules and procedures in the country. If the assessment reveals weaknesses or gaps that can be reasonably addressed within the scope of the operation, the Bank would support, as agreed, with the member government, financing appropriate capacity building activities to bring such systems into closer alignment with Bank safeguard policy.

***B.4. The Bank will not support operations and activities that will significantly convert or degrade<sup>4</sup> critical cultural sites<sup>5</sup> and/or critical conservation areas.<sup>6</sup>*** Whenever feasible, Bank-financed operations and activities will be sited on lands already converted. In addition, the Bank will avoid supporting operations involving the significant conversion or degradation of areas of ecological importance,<sup>7</sup> including the introduction of invasive species,<sup>8</sup> unless comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs, in which case the project will incorporate mitigation and compensation measures acceptable to the Bank. The Bank may support conservation initiatives to enhance the sustainability of protected areas and cultural sites.

***B.5. The Bank will seek to minimize adverse impacts to the environment and human health and safety occurring from the production and use of hazardous material, including organic and inorganic toxic substances, pesticides and Persistent Organic Pollutants (POPs).*** Where production, procurement or use of hazardous material and substances involve significant dangers or risks, an emergency preparedness and response plan should be prepared in consultation with potentially affected communities.

Bank operation and activities will take into account international restrictions on the use of toxic substances. The Bank will not finance the production, procurement or use of POPs, unless allowed as an exception under the Stockholm Convention on Persistent Organic Pollutants.<sup>9</sup> Under those exceptions, the production, procurement or use of other non-persistent hazardous materials and substances should be minimized; where they are used or produced, a management plan should be prepared covering their transport, handling, storage and disposal, with associated management and reporting practices.

Where pesticides are being used, the operations should preferably use those that have negligible adverse effects on human health, non-target species and the environment. The Bank will only finance operations involving toxic pesticides - as defined by international institutions such as the World Health Organization (WHO) classes Ia and Ib, II - if adequate restrictions and sufficient capacity exist within the context of the operations, for their proper packaging, labeling, storage, handling, use and disposal. When appropriate, the Bank will help strengthen country and executing agency capacity in managing pesticides.

***B.6. All Bank-financed operations will be screened and classified according to their potential environmental impacts and risks.*** Screening will be carried out early in the operations preparation process, particularly during the preparation of the project concept document (PCD) or equivalent and will consider: (i) potential positive and negative environmental impacts and risks, including environmentally related social and cultural factors, whether direct, indirect, induced, regional or cumulative in nature; (ii) third party activities and capacities; and (iii) potential risks related to associated facilities. Bank operations will be assessed and classified according to their potential impact level and risks so that environmental safeguards and due diligence requirements may be appropriately addressed and followed throughout the life of the operation. The operation's safeguard risk classification will be publicly disclosed through the Bank's Internet website.

- **High Safeguard Risk operations will be classified as "A".** These are operations that are likely to cause either: (i) significant negative environmental and associated social impacts or risks which extend beyond the project area over the long term or that are of high magnitude; (ii) have profound policy reform implications affecting natural resources; or (iii) are characterized by highly sensitive environmental and associated social concerns. **Category "A"** operations require an environmental assessment (EA), normally an Environmental Impact Assessment (EIA) for investment operations, or other environmental assessments such as an Strategic Environmental Assessment (SEA) for programs and other financial operations that involve plans and policies. Also, for operations that are highly complex or that may pose significant human safety risks and potential sensitive environmental or associated social concerns, an independent expert review will be organized to provide guidance to the borrower and the Bank, as needed.
- **Moderate Safeguard Risk operations will be classified as "B".** These operations are likely to cause mostly local and short-term negative social and environmental impacts and risks for which effective mitigation measures are readily available, and which generally will not cause any irreversible negative impact. **Category "B"** operations normally require an environmental assessment focusing on the specific issues identified

in the screening process, and an action plan presenting specific environmental provisions which are reported in an environmental and social management plan (ESMP).

- **Minimum or no-Safeguard Risk operations will be classified as “C”.** These operations are likely to cause minimal or no negative impacts and risks. These operations do not require further action beyond screening and classification. **Category “C”** operations do not require any EA process beyond the screening and scoping analysis for determining the classification.

***B.7. Bank operations whose environmental impacts cannot be identified ex-ante as part of the screening process, such as policy based loans and financial intermediation operations (FIs), require alternative analytical tools to determine their level of safeguard risks and requirements for environmental management.***

- **Policy-based type of loans** that may have significant direct implications on environmentally sensitive sectors such as forestry, energy, transportation, agriculture, mining, water and natural resources will be required to carryout, as appropriate, sector-level analytical assessments to determine policy and institutional enabling conditions needed to promote long-term social and environmental sustainability.
- **For financial intermediation operations (FIs), including Global Credit Loans<sup>10</sup>,** the Bank will assess the executing agency’s capacity for environmental management. The borrower and the executing agency will demonstrate that appropriate environmental procedures are in place to assure that final recipients of IDB financing meet environmental viability criteria. All projects and activities financed under FI operations will comply with an agreed exclusion list and must have corresponding environmental permits/licenses required by law and emitted by the appropriate environmental authority, including any required mitigation plan. If such capacities do not exist in the country, the borrower and the Bank will agree on implementing an appropriate and feasible Environmental Management System (“EMS”) tailored to the particular needs of the operation. Environmental review of a representative sample of projects should be performed periodically.

***B.8. Preparation of Environmental Assessments (EA),<sup>11</sup> associated management plans, and their implementation are the responsibility of the borrower. The Bank will require compliance with specified standards for Environmental Impact Assessments (EIAs), Strategic Environmental Assessments (SEAs) and Environmental and Social Management Plan (ESMP), as defined in this policy and detailed in the Implementation Handbook approved by Management.***

- The Bank requires, as a minimum, that the EIA process include: screening and scoping for impacts; a timely and adequate stakeholder consultation and information dissemination process; a solid project justification and examination of alternatives; impact analysis, impact mitigation and management plans presented in an ESMP. An EIA report must be prepared and submitted to public consultation, and a formal review and approval process. The ESMP requirements must be incorporated into legal and

procurement documents, an implementation budget and project environmental and social monitoring measures. EIAs for category A operations should be complemented and supported, to the extent practicable, by quantitative economic analyses of alternative measures to avoid or mitigate adverse environmental impacts and risks.

- The SEA process must include the following steps: understanding the nature of the proposed programs, plans or policies; defining the overall context within which the assessment is to be carried out, agreeing on its objectives and designing an adequate process; defining a participatory approach for effective public and institutional involvement; scoping major associated strategic environmental issues and alternatives; assessing environmental, social and economic outcomes and benefits, and establishing priorities for action.
- The ESMP must include: a presentation of the key direct and indirect impacts and risks of the proposed project; the proposed social/environmental measures to avoid, minimize and mitigate the key direct and indirect impacts and risks; the institutional responsibilities to implement these measures; the schedule and budget allocated for the implementation and management of such measures; the consultation or participation program agreed for the project; and the framework for the monitoring of social and environmental impacts and risks throughout the execution of the project, including clearly defined indicators, monitoring schedules, responsibilities and costs. The ESMP should be reviewed during the analysis mission for the operations and its management plan should be prepared to the satisfaction of the Bank prior to loan approval.

***B.9. As part of the environmental assessment, Category A and B operations will require consultations with affected parties and local non-governmental organizations ensuring their views receive proper considerations.*** For Category A projects, the EIAs will be made available in the borrowing member country and Bank headquarters before the Bank conducts its analysis mission, in the case of public sector borrowers, or its due diligence mission, in the case of private sector borrowers<sup>12</sup> 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. In addition, these groups will be consulted throughout project implementation, as necessary, to address environmentally related issues that affect them. Environmental assessment reports and other relevant material will be made available to the public in accordance with the Disclosure of Information Policy.

***B.10. The Bank's supervision during the execution of operation it finances, will include review of EA products, establishing legal safeguard requirements and tracking the performance of category "A" and "B" operations in meeting these requirements.*** The project Executing Agency or Sponsor is required to submit all EA products to the Bank for review and approval. The Bank will include in the Loan Contract or operating regulations safeguard requirements as specified in ESMP and supervise and verify compliance with the same. The Bank will assess annually the status and performance of its Category A operations, and periodically assess the performance of its screening and categorization procedures by examining the performance of a sample of Category B and C operations. Safeguard indicators, as appropriate, should be defined in the Logical/Results Framework, followed-up in project monitoring reports and reviewed in the mid-term review and project completion report.

Compliance with environmental commitments and identification of unexpected issues will be analyzed, reviewed and reported as part of Bank's administration and portfolio review missions. Also, outcomes of these measures must be monitored and evaluated in the context of ex-post evaluations.

***B.11. The environmental assessment process will identify early in the project cycle the regional environmental impact of a project including, if any, trans-boundary issues.*** In cases of operations with potentially critical trans-boundary environmental impacts and risks, such as operations affecting a country's use of international waterways, an appropriate framework for consultation and mitigation must be established and the Bank requires the borrower to formally notify the affected country or countries.

***B.12. Bank Safeguards will apply to financing of existing facilities or to infrastructure works under construction.*** The financing of existing facilities, such as Corporate Finance Projects and Guarantees, will typically require an Environmental Assessment (EA) to assess the potential environmental and associated social impacts and risks due to the construction and operation of the projects or sub-projects. An Environmental Audit may be required to determine compliance with environmental and associated social standards, liability and company environmental, health and safety management systems. Non-compliance will require a plan demonstrating that the shortcoming will be properly addressed. Non-compliance with Bank safeguards must be addressed by way of remediation measures or plans acceptable to the Bank.

***B.13. Multiple phase loans will present evidence that agreed environmental standards were met during implementation of all previous phases. Where there are significant environmental risks remaining from previous phases of a multi-phase operation or from a recently completed Bank-financed operation, the borrower must present proposed remedial actions to resolve such risks, prior to approval of a new Bank loan.*** If warranted by the nature of the operation, an environmental audit may be required to identify risks and solutions to address them.

***B.14. For co-financing operations, the Bank will collaborate with the borrowers and participating lending institutions, to adopt a single EA process and unified documentation, consultation and disclosure requirements, consistent with the requirements of this policy.*** As a principle, the Bank will support harmonization efforts among the international financial institutions, bilateral donors and other private and public partners.

***B.15. Loans that address catastrophic disasters under the Immediate Response Facilities (IRFs) do not require environmental assessments.*** These loans make resources available to stricken countries to cover the immediate expenses of restoring basic services to a population victim of catastrophic disasters. However, projects for permanent reconstruction work, not eligible under IRFs, must follow standard environmental procedures, as defined in this Policy. The execution of such emergency activities should seek to minimize and mitigate environmental impacts and risks, whenever possible.

***B.16. In any procurement financed by the Bank, Borrowers and Executing Agencies shall comply with their own environmental legislation as long as they do not violate the environmental and associated social principles, policies and procedures established by the***

*Bank to encourage procurement of environmentally responsible works, goods and consulting services provided by environmentally responsible contractors and suppliers.* Bank procurement procedures and policies should establish the guidelines to ensure that goods and services procured under IDB financing have been provided in an environmentally responsible manner, by environmentally responsible suppliers.

## V. POLICY IMPLEMENTATION AND COMPLIANCE

This policy will enter into effect 6 months after approval by the Board, in order to implement administrative changes and procedures for its implementation. The Bank will publicly report its experience with the implementation of this Policy and achievement of its objectives. The implementation of this policy will be reviewed 3 years after the approval by the Board, as part of an independent midterm assessment, which will include consultations with clients, beneficiaries, and representatives from civil society, private sector and NGOs.

The Policy cannot specifically anticipate and encompass all circumstances and, consequently, it is conceivable that the Bank may approve departures from one or more of the directives in the Policy. In such circumstances, proposals advocating any such departure in either programming or in project development and execution must demonstrate the exceptional characteristics of the situation that justify the departure. Project proposals in particular must justify deviations from the safeguards to achieve the goals of the project, include a strategy to correct or mitigate the effects of deviations, and formally request to the Board the corresponding exception to the Policy.

To help ensure compliance and monitorability/evaluability, the policy **will be supplemented** with a set of core indicators at the country strategy and project design/implementation levels **to be included in the Implementation Handbook**. This will also help provide guidance to project teams in preparing **projects** as well as ensure a minimal common framework of results indicators. Bank Management will update the Implementation Handbook from time to time to reflect evolving good international practices in the field. The Implementation Handbook will be publicly available.

## Endnotes:

<sup>1</sup> **Risk** is understood as those environmental, and associated social, health and safety factors which might adversely affect and/or are related to bank-financed operations. Risk may be a factor of the following or a combination thereof: 1) Environmental impacts, 2) client capacity 3) the institutional and governance framework of the country 4) and the characteristics of the sectors involved. Safeguard risk assessment and management is an iterative process of identifying risk factors and taking action to manage risks at the country, portfolio, and project level.

<sup>2</sup> **Precautionary approach** means that 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.

<sup>3</sup> The World Bank, 1998.

<sup>4</sup> **Significant conversion or degradation** means the permanent elimination or severe impairment of the resilience, integrity, and dynamics of a conservation area or cultural site. Significant degradation may result from reduction of the environmental quality of the resources that support and/or constitute such areas or sites, including but not limited to soil, land, water, air, species composition and their interactions, or from activities that may negatively affect native peoples' welfare, customary practices, and/or archeological and cultural heritage.

<sup>5</sup> **Critical cultural sites** are any natural or manmade areas, structures, natural features and/or objects valued by a people or associated people to be of critical spiritual, historical, and or archaeological significance. Material remains may be prominent, but will often be minimal or absent. Critical cultural sites include but are not restricted to those protected - or officially proposed by governments - such as World Heritage Sites and National Monuments.

<sup>6</sup> **Critical conservation areas** are existing protected areas and areas officially proposed by governments as protected areas, including reserves that meet the criteria of the World Conservation Union [IUCN] categories Ia, Ib, II and III, World Heritage Sites, areas protected under the RAMSAR Convention on Wetlands, areas in the UN List of National Parks and Protected Areas within the same IUCN categories, World Biosphere Reserves.

<sup>7</sup> **Areas of ecological importance:** Physical environment where (i) the ecosystems' biological communities are formed largely by native plant and animal species, and (ii) human activity has not essentially modified the area's primary ecological functions, and that may (i) provide critical ecological services required for sustainable human development (e.g., aquifer recharge areas, areas that sustain fisheries, mangrove or other ecosystems that help to prevent or mitigate natural hazards), (ii) be vital to ensure the functional integrity of ecosystems (e.g., biological corridors, natural springs), (iii) sustain the lifecycle of endangered species (e.g., reproductive sites, critical migratory routes), (iv) have high levels of endemism.. Areas of ecological importance may occur in tropical humid, dry, and cloud forests; temperate and boreal forests; Mediterranean-type shrub lands; natural arid and semi-arid lands; mangrove swamps, coastal marshes, and other wetlands; estuaries; seagrass beds; coral reefs; underwater vents; freshwater lakes and rivers; alpine and sub-alpine environments, including herb fields, grasslands, and paramos; and tropical and temperate grasslands.

<sup>8</sup> An "invasive species" is defined as a species that is 1) non-native (or alien) to the ecosystem under consideration **and** 2) whose introduction causes or is likely to cause economic or environmental harm or harm to human health. Ref: National Invasive Species Council, US Government.

<sup>9</sup> <http://www.pops.int/> The Stockholm Convention is a global treaty to protect human health and the environment from persistent organic pollutants (POPs).

<sup>10</sup> **Global Credit Loans** are granted to intermediary financial institutions (IFIs) or similar agencies in the borrowing countries to enable them to onlend to end-borrowers (subborrowers) for the financing of multisector projects.

<sup>11</sup> EA is a generic term covering various types of assessments such as EIA, SEA, and environmental audits.

<sup>12</sup> OP-102 Disclosure of Information Policy