



Banco Interamericano de Desarrollo
Inter-American Development Bank

DRAFT

**SAFEGUARD IMPLEMENTING GUIDELINES
of the
DRAFT ENVIRONMENT AND SAFEGUARDS COMPLIANCE POLICY**

January 24, 2005

***DRAFT SAFEGUARD IMPLEMENTING GUIDELINES of the
ENVIRONMENT AND SAFEGUARDS COMPLIANCE POLICY***

The Draft **Environment and Safeguards Compliance Policy** contains specific policy directives, defining broad normative mandates focusing on the themes of environmental mainstreaming and safeguarding the environment. Part B, the Safeguard section of the draft Policy, contains sixteen policy directives that form the core of the draft Policy and as all policies of the Inter-American Development Bank, will be Board approved.

This package contains the draft **Implementing Guidelines** for each of the Safeguards Directives. These draft Guidelines contain the objectives, considerations and procedures for each Safeguard directive of the draft Policy and represent Bank required, or normative actions as set forth in the specific directives. For each directive or subset of a directive, sufficient explanation outlining or formulating a method or approach for undertaking the directive is provided. These Guidelines are not Bank Policy but will require Bank Management approval.

Furthermore, the Policy will be supported by an **Implementation Handbook** that is a web-based tool available through the IDB Internet to assist project sponsors, project teams, executing agencies, and other interested parties. The Handbook will serve as the primary tool for a comprehensive collection of Safeguard-related information that will contain all related Bank Policies, supporting documentation, directives, these Implementing Guidelines and good guidance, as useful information to the user.

The contents of this package will be incorporated into the Implementation Handbook after approval by Management.

<u>Directive</u>	<u>Page #</u>
B.1 Bank Policies	1
B.2 Country Laws.....	3
B.3 In-Country Systems	6
B.4 Cultural Sites and Conservation Areas	8
B.5 Hazardous Materials	11
B.6 Screening and Classification	14
B.7 Policy-Based Loans and Financial Intermediaries	18
B.8 EA Requirements.....	22
B.9 Consultations.....	31
B.10 Category “A” and “B” Supervision	33
B.11 Regional and Transboundary Impacts	36
B.12 Existing Facilities or Operations Under Construction.....	38
B.13 Multiple Phase Loans	40
B.14 Co-Financing Operations.....	42
B.15 Catastrophic Disaster loans	43
B.16 Environmentally Responsible Procurement.....	44

POLICY DIRECTIVE 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.1 GUIDELINES**OBJECTIVES**

- Ensure that all Bank-financed operations and activities are environmentally viable;
- Make reference within this Policy to the relevant environmental provisions from the Bank's mandate and from other Bank policies; and
- Comply with all of the pertinent environmental and social provisions within the relevant Bank crosscutting and sectoral policies.

CONSIDERATIONS

This Environment Policy is based on a crosscutting vision of the environment, as laid out in the Bank's Environment Strategy (2003). Several sectoral policies of the Bank include environmental considerations, particularly in those sectors that can generate significant impacts, or are affected by the environment. Sector policies such as, energy, forestry, transportation, public utilities and others all contain environmental provisions, which must be complied with. In addition, compliance with several other crosscutting Bank policies, such as the Policy on Information Disclosure, is essential for the proper implementation of this Policy and for ensuring that Bank operations are environmentally viable.

The collective mandates of this and other Bank policies referred to in Policy Directive B.1 form the Bank's Environmental Safeguard Policy Framework.

PROCEDURES/IMPLEMENTATION

Implementation guidelines accompany each of this policy's specific directives. Other Bank policies include their own guidance on how to ensure compliance with their respective mandates.

In the preparation of Bank Operations, the Project Concept Document (PCD) shall state the strategy to comply with the environmentally relevant provisions of the applicable sectoral policies.

The Bank policies that are referenced in Directive B1 can be consulted in:

- The Disclosure of Information Policy (OP-102)
http://www.iadb.org/exr/pic/VII/OP_102.cfm?language=English
- The Involuntary Resettlement Policy (OP-710)
http://www.iadb.org/exr/pic/VII/OP_710.cfm
- The Natural and Unexpected Disasters Policy (OP-704)
http://www.iadb.org/exr/pic/VII/OP_704.cfm
- The environmental mandates of the Eighth Replenishment.
<http://www.iadb.org/exr/eight/Indexe.htm>
- The Indigenous Peoples Policy [under preparation].
- The relevant provisions of existing Bank Sector Policies.
http://www.iadb.org/exr/pic/VII/sector_policies.cfm?language=English

The *Good Practices* section of this Implementation Handbook will provide links and references regarding the environmental considerations of the Bank's sectoral policies.

POLICY DIRECTIVE 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*” 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.2 GUIDELINES**OBJECTIVES**

- Define the environmental standards that Bank operations must follow;
- Ensure that the operation complies with national environmental regulations, standards and assessment procedures; and
- Benchmark national environmental regulations, standards and environmental assessment procedures for the specific operation, in relation to generally accepted international standards.

CONSIDERATIONS

Most borrowing member countries in the region have national environmental regulations and most have environmental standards (e.g., ambient air/water quality, acceptable or target discharge or emission levels based on specific chemicals, compounds or substances). This also includes various forms of legislation as well as administrative or procedural requirements to measure, analyze and report on such matters. Furthermore, there are often requirements for enforcing such legislation. There is usually specific legislation regarding environmental assessment of projects and identification of government responsibilities to implement such provisions. Certain countries also have decentralized environmental assessment and enforcement processes.

PROCEDURES/IMPLEMENTATION

Among the areas to be examined during an environmental assessment is an analysis of the project’s legal framework to determine:

- (1) The relevant in-country environmental legal and regulatory framework for the proposed project; and
- (2) The executing agency / sponsor’s capacity to implement and enforce obligations arising under that framework.

Based on the results of such capacity assessment, the operation may include components to strengthen that capacity, if it is deemed that the executing agency / sponsor has inadequate legal or technical capacity to carry out key legal, regulatory or environmental assessment-related functions (such as review of EIAs, environmental monitoring, inspections or management of mitigation measures) for the proposed operation.

All Bank operations must comply with in-country environmental laws, standards and procedures. The Bank however may require additional measures or higher standards for the operation to be considered environmentally viable. Where a significant difference exists between the generally accepted international standards and practices and the country requirements, the more stringent option generally applies. *In-country* environmental laws, regulations, standards and procedures as used in this Policy refer to national as well as sub-national (e.g. regional) and local (e.g. municipal, county) environmental laws, regulations, standards and procedures.

Existing international standards, such as the World Bank *Pollution Prevention and Abatement Handbook (PPAH), vol.III, (1998)*, satisfy it's the Bank's safeguard requirements for numerical standards. The PPAH describes pollution prevention and abatement measures and emission levels that are normally acceptable to the Bank. However, taking into account borrower country legislation and local conditions, the environmental assessment may recommend alternative emission levels and approaches to pollution prevention and abatement for the project. If a significantly lower standard is proposed from that which is recommended in the PPAH, then the environmental assessment or due diligence report must provide a detailed justification for the levels and approaches chosen for the particular operation, project or site. The definition of a "significantly lower standard" will be determined on a case-by-case basis, as a function of local conditions and of the impact the proposed lower standards might have on the area of influence of the project.

The Bank will also, as needed, take into consideration or incorporate within its procedural requirements other similar international standards.

MULTILATERAL ENVIRONMENTAL AGREEMENTS (MEAs) CONSIDERATIONS

Some of the legal environmental requirements applicable in a country refer to MEAs ratified by that country.

MEAs cover subjects traditionally considered to be of "global" or transboundary environmental interest. They have especially important meaning when ecosystem linkages or resource use considerations make international cooperation necessary. Such measures include marine pollution from international shipping and increased focus on other global issues such as atmospheric pollution and the conservation of biodiversity.

MEAs take numerous forms, such as Conventions, Treaties, Protocols and Declarations. Some have been signed by countries but not ratified; others are signed, ratified but not enforced through national regulations. The Good Practice section of this Handbook provided additional information on MEA and their status in the Region.

A few of these MEAs have become internationally referenced standards, ratified by most IDB borrowing member countries that are usually enforced. Key Agreements related to biological diversity and natural habitats, to the control and prevention of pollution and other relevant topics can be found in Annex 1. The list in Annex 1 presents some of the most common MEAs, for

reference by Bank project teams, including their web links and a short description of their content. Most MEA websites include lists of signatory countries and their ratification status.

PROCEDURES/IMPLEMENTATION

During project preparation, the Bank will assist the executing agency / sponsor, as appropriate, in determining whether the project could violate relevant MEAs, ratified by the borrower member country, and will help the country to plan and undertake the necessary measures to comply with its obligations there under. Conversely, if a country has not ratified a particular MEA, then its corresponding obligations do not form part of the in-country environmental laws, regulations, standards and procedures and shall not apply.

If the Bank determines that there is any such risk, the project will normally be classified in Category “A”, based on the presumption that the environmental risk would likely be significant (see B.6). The Bank will ensure that Terms of Reference (TOR) for the environmental assessment or due diligence specifically require:

- A review of the applicable MEAs;
- An analysis of any potential violation of such MEAs;
- An analysis of alternatives, including consideration of options (location or design) that would avoid such violations; and
- Should there be no alternative: (a) an appropriate plan to ensure that the project will be designed and financed in a manner to enable it to meet the MEA’s requirements in an agreed upon and timely manner, or (b) justification for not applying the MEA requirements and an appropriate alternative plan based on the standards set out in this policy.

Management will review the project team’s opinion regarding the MEAs.

POLICY DIRECTIVE 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.3 GUIDELINES**OBJECTIVES**

- Recognize borrower member country ability to identify and manage safeguard risks;
- Strengthen in-country environmental management capacity;
- Ensure that Bank environmental standards are maintained; and
- Increase borrower ownership and responsibility for environmental management.

CONSIDERATIONS

Borrowing member countries, project sponsors and Multilateral Development Banks (MDBs) are increasingly interested in utilizing in-country environmental management systems to simplify procedures and strengthen country, sponsor and executing agencies' capacities. This approach, which replaces, the use of the Bank's established procedures, may be acceptable only when it is possible to ensure that the in-country system will maintain environmental quality at Bank standards.

The *Rome Declaration on Harmonization* ([weblink](#)) is an effort by development agencies, including the IDB, to minimize the burden of separate and different system requirements for the projects they support in recipient countries. In response, the Bank, as part of the donor harmonization process, is supporting country system use in the areas of environmental safeguards, procurement and financial management. The use of country systems for safeguards—that is, a country's national, sub-national, or sectoral implementing institutions and applicable laws, regulations, rules and procedures for the Bank supported activity — is being explored and tested with preliminary guidance under development.

Use of in-country systems is an incentive for the borrower to strengthen its equivalent safeguard systems and close the gap between Bank Policy and actual practice, thus helping to ensure sustainable development impact. This is also tied to better borrower ownership when projects use the systems already in place in the country. Closing this gap is important since many countries have adopted good operational requirements, particularly in areas such as environmental assessment, but still face challenges in implementing them.

Presently, Sector Wide Approaches, or SWAPS, where funding agencies tend to harmonize requirements under the executing agency's leadership, are an example of approaches that promote a greater use of in-country environmental systems.

Environmental management systems within a country may vary by sector, institution and company. Thus, when gap analysis is conducted, it must be specific to the pertinent sector and the specific institution. This approach requires a significant investment upfront in project preparation in order to conduct a gap analysis and a performance review to determine the capacity of the executing agency to meet Bank safeguard standards following its environmental management systems.

PROCEDURES/IMPLEMENTATION

In-country environmental management systems may only be used when it is possible to ensure that environmental quality will be maintained according to the Bank's safeguard standards.

Given the novelty of this approach, procedures that build on the Bank's experience, good practice, and Pilot-Projects using in-country systems during 2005-2006, will be developed with final drafting to be completed in 2006. Preliminary discussions on the implementation of this directive indicate that it will require:

- Properly identifying gaps between Bank requirements and in-country systems;
- Assessing the performance of the executing agency / sponsor to implement and comply with Bank requirements;
- Determining whether the normative, procedural and performance gap may be bridged within the context of the operation;
- If yes, identifying effective measure to bridge the identified gap(s);
- Integrating legally-binding measures to bridge the gaps in the Loan Contracts or Operating Regulations; and,
- Monitoring and reviewing performance for results during execution of the operation and proposing alternative solutions if execution is deficient.

Until final procedures for this Directive are completed, operations related to this Directive will be assessed on a case-by-case basis. During this interim, if a project team wants to follow the borrower member's in-country systems, it will have to present its proposed approach for review by Bank Committees early in the project cycle, within the PCD.

The key issues associated with this process include: (a) clear definition of benchmarks for the Bank's Environment and Safeguard Policy requirements; (b) developing a methodology and tools for assessing country systems to determine Bank equivalency; (c) identifying all key positive and negative considerations in implementing the country system approach; and (d) the executing agency / sponsor's accountability in meeting Bank standards.

POLICY DIRECTIVE B.4.

The Bank will not support operations and activities that will significantly convert or degrade critical cultural sites and/or critical conservation areas. 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, including the introduction of invasive species, 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.4 GUIDELINES**OBJECTIVES**

- Avoid significant conversion or degradation of critical cultural sites;
- Avoid significant conversion or degradation of critical conservation areas; and
- Encourage conservation initiatives for both protected areas and cultural sites.

CONSIDERATIONS

Significant conversion or degradation means the permanent elimination or severe impairment of the resilience, integrity and dynamics of a conservation area, area of ecological importance or a cultural site. Significant degradation may result from reduction of the environment or cultural 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.

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 can often be minimal or absent. Critical cultural sites include, but are not restricted to those protected or officially proposed by governments and recognized international bodies - such as UNESCO World Heritage Sites and National Monuments.

Critical conservation areas are existing protected areas and areas officially proposed by governments as protected areas, including reserves designated by the World Conservation Union (IUCN) as categories Ia, Ib, II and III, UNESCO World Heritage Sites, areas protected under the RAMSAR Convention on Wetlands, areas in the UN List of Protected Areas under the same World Conservation Union (IUCN) categories, and World Biosphere Reserves.

Areas of ecological importance are physical environments 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); and (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 “páramos”; and tropical and temperate grasslands. As a reference, IUCN categories IV, V, and VI are considered areas of ecological importance under this Policy.

PROCEDURES/IMPLEMENTATION

I. FOR CRITICAL CULTURAL SITES

Regarding critical cultural sites the following actions are required either during project preparation or project implementation, for any operation that might affect such sites:

- The executing agency / sponsor, with the support of qualified professionals (from its own staff, and/or international or local consultants and Bank staff, if needed) will undertake appropriate action to identify whether critical cultural sites might be affected by the operation;
- This process should be undertaken during the first site visits and/or during the EA or review process (see Directive B6 and B8) but may also be required at a later stage in the project cycle when cultural information is discovered by chance finds. This process might include consulting archives, reference material from international conventions, in-country cultural institutions, and cultural communities¹ associated to the possible sites;
- Once identified, the project team in combination with on-site evaluations shall consult with: (i) the cultural community; and (ii) government and cultural heritage authorities to determine whether the site meets the definition of a critical cultural site *and* whether the activities proposed in the project will significantly convert or degrade the site;
- If the project is likely to impact negatively *critical cultural sites*, then it is categorized as a *high safeguard risk operation*, Category “A”.
- If the site identified meets the definition of a critical cultural site *and* that the actions proposed by the project might significantly convert or degrade the site as defined above, the project team and the consulted community, authorities and institutions will work together to develop alternative plans;
- If the site identified meets the definition of a critical cultural site but that the actions proposed *do not* significantly convert or degrade the site, the project team, the cultural community and the appropriate cultural heritage authorities shall develop a management plan to mitigate such impacts and, where feasible, conserve and enhance such sites;
- Where no alternatives are feasible, or no consensus agreement emerges, and critical cultural sites may be significantly converted or degraded, as defined above, then the project should be declared ineligible for Bank financing; and

¹ “Cultural community” refers to the group of persons for whom the site forms part of their identity, whether by nature of their social, religious, symbolic or other cultural relations with the site. For example the “cultural community” for a given cemetery will refer to the group of people for whom the cemetery is part of their identity, given the family and/or religious ties between them and the people buried in the cemetery.

- The Bank should work with cultural communities, cultural heritage authorities, and governments on initiatives to conserve and enhance cultural sites in the areas of direct influence of the operations.

II. FOR CRITICAL CONSERVATION AREAS AND AREAS OF ECOLOGICAL IMPORTANCE

Regarding critical conservation areas, as defined above, the procedures are as follows:

- The executing agency / sponsor, with the support of qualified professionals (from its own staff, and/or international or local consultants and Bank staff, if needed) will undertake a preliminary review to determine whether the operation is likely to impact negatively *critical conservation areas* as defined in these Guidelines;
- This process should be undertaken during the initial screening phase, through scientific review, technical consultations and, if needed, sites visits;
- If the project is likely to negatively impact *critical conservation areas*, then it is categorized as a *high safeguard risk operation*, “A”;
- Further analytical work will then be needed, within the environmental assessment or due diligence process (see Directive B6 and B8), to determine the magnitude of the negative impact of the operation on the *critical conservation areas*;
- If the actions proposed by the project might significantly convert or degrade the *critical conservation area* as defined above, the project team in collaboration with the consulted community, authorities and institutions will work together to develop alternative plans; and,
- If the operation is likely to significantly convert or degrade *critical conservation areas*, as defined above, and there are no available alternative or feasible mitigation measures to avoid significantly converting or degrading such critical conservation areas, then the project should be declared ineligible for Bank financing.

Regarding *areas of ecological importance*, as defined above, the same process should be followed. However, where the environmental assessment process concludes that the operation is likely to *significantly convert or degrade* areas of ecological importance, even after mitigation measures are adopted, then:

- The environmental assessment process must demonstrate that overall benefits from the project substantially outweigh overall project costs, including the costs of non-mitigated environmental impacts, and of mitigation measures, in order for the operation to proceed under Bank financing;
- The project must incorporate mitigation and compensation measures acceptable to the Bank to minimize or offset negative impacts;
- Specific mitigation and/or compensation actions must be clearly defined in the Environment and Social Management Plan (ESMP) and incorporated into the loan documents; and
- A detailed monitoring and supervision program must be designed and implemented to ensure the proper execution of mitigation measures.

POLICY DIRECTIVE 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. 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.5 GUIDELINES**OBJECTIVES**

- Minimize human exposure to hazardous substances and protect human health;
- Appropriately manage and minimize environmental risks from hazardous substances; and
- Encourage measures to shift to less risky substances, when possible.

CONSIDERATIONS

A number of chemical substances and products, above certain thresholds, pose human health and/or environmental risk that are encountered regularly as part of Bank financed operations. In general, these are discussed according to three key topics, hazardous material and waste, POPs and pesticides. The Good Practices section of the Handbook will provide further information on such substances. These Guidelines provide some detail on POP's and pesticides due to the specific risks involved and the recognition of their global impacts, as illustrated by international conventions (see Annex 1).

Persistent Organic Pollutants (POPs) are chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. POPs circulate globally and can cause damage wherever they travel. The Bank supports the Stockholm convention's overall objective to protect human health and the environment on an initial group of 12 specified chemicals including

intentionally produced pesticides and industrial chemicals and unintentionally produced by-products of industrial and combustion processes (dioxins, furans, hexachlorobenzene).

Pesticides refer to a broad spectrum of chemicals used for agricultural purposes and targeted health vector control measures. There is valid justification for using pesticides in agriculture and health projects, for crop protection or in the fight against vector-borne disease, respectively. The Bank promotes avoiding using harmful pesticides, preferring use of biological or environmental control methods and reduced reliance on synthetic chemical pesticides. The bank promotes and encourages the use of Integrated Pest Management (IPM) practices which refers to a mix of farmer-driven, ecologically based pest control practices that seeks to reduce reliance on synthetic chemical pesticides. IPM involves: (i) managing pests to economically acceptable levels rather than attempting to eradicate them; (ii) relying on non-chemical measures to keep pest populations low, including Best Management Practice (BMP) by farmers; and (iii) selecting and applying pesticides, when they are used, in a manner that minimizes adverse effects on beneficial organisms, humans and the environment. The risk of the use of pesticides should be reviewed as part of the environmental assessment process (see Directive B.6. and B.8.).

PROCEDURES/IMPLEMENTATION

Hazardous materials/waste


- In operations where a hazmat or hazardous waste is present the environmental assessment or due diligence process (see directive B.6. and B.8.) will screen the operation to determine whether the hazmats are present in significant enough quantity based on the characteristics and the associated thresholds levels for each hazmat or waste;
- Consequently, this screening will determine if additional analysis or studies are required to specify issues of concern related to specific operational components;
- When an operation is determined to require attention to hazmat material the EA or due diligence process will specify additional requirements in the form of specific reports, management plans or procedures related to the handling, storage, and use of these hazmat material;
- When required, a Hazardous Materials/ Hazardous Waste Management Program will identify the process to manage the risks associated with all hazmat facilities and activities through: (i) specified management actions that include training, worker health, safety, record keeping, and reporting; (ii) Preventive Plans for transportation, processes and operations of hazardous wastes; and/or (iii) Emergency Preparedness and Response Plans for response activities, medical assistance, communications and incident reporting. When hazmats are in use, the potentially affected community (e.g. people around the facility, people on the transport route) should be informed and provided with a means for public feedback.

Persistent Organic Pollutants

- The executing agency / sponsor will screen operations that potentially involve any activity that might use any POPs products to identify quantities and issues of concern;
- When such substances are identified, the Bank will work with the executing agency / sponsor to meet the goals of the Stockholm Convention; and

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- The Bank will assist executing agencies / sponsors to meet the specific goals to eliminate production and use of intentionally produced POPs.

Pesticides

- The executing agency / sponsor will screen operations that potentially involve pesticide use to identify quantities and issues of concern;
 - Any procurement of any pesticide in a Bank-financed project should be tied to a review of its proposed use and handling;
 - The executing agency / sponsor will provide documentation, developed as part of the EA process, that provides information on pesticide selection and use and provides information on potential impacts on: (i) human health effects; (ii) target species; and (iii) non-target species and the natural environment;
 - In addition, the executing agency / sponsor will include in this EA or due diligence report information that provides sufficient details on: (i) toxicity to humans, according to the classification of World Health Organization's *Recommended Classification of Pesticides by Hazard and Guidelines to Classification*; (ii) toxicity to the environment, based on criteria to be developed; and (iii) how choices were made to select a pesticide that has negligible adverse human health effects and is effective against the target species with minimal impacts on non-target species;
 - The executing agency / sponsor will provide information, for those pesticides used in public health programs, that demonstrate that there is adequate and sufficient capacity in the context of the operation for their proper packaging, labeling, storage, handling, use and disposal; and
 - The EA or due diligence report will provide information on effective management of such pesticides when there is any indication that the potential human health and environmental risks are significant.
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POLICY DIRECTIVE 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.6 GUIDELINES**OBJECTIVES**

- Establish appropriate level of safeguard requirements through early identification of environmental and associated social impacts and risks; and
- Allocate resources proportionate to safeguard risks.

CONSIDERATIONS

Safeguard screening results in classifying operations into one of several categories of likely environmental impacts and risk concerns and serves two very important purposes. It helps identify early in the project cycle those operations with potentially significant negative social and environmental impacts and risks so that adequate attention can be given to the development of appropriate risk management procedures throughout the project cycle. An effective screening system also allows for identification of projects that are not viable and will not be accepted by the Bank or if alternative analysis is required.

Screening and safeguard classification is the first step in the environmental assessment process for IDB operations. Screening is carried out by the project preparation team in collaboration with an environmental and/or social specialist to identify potential environmental, social and cultural impacts and risks.

Categorization shall consider the most sensitive safeguard risk component of an operation. Consequently, if a component of an operation has the potential for significant adverse impacts or risks, then the operation could be classified as Category “A” regardless of whether the other components of the operation do not present significant safeguard risks.

For certain operations such as financial intermediation loans, global credit loans, policy-based and sector adjustment loans, or other types of programmatic loan instruments, the Bank recognizes that the methodologies for assessing and analyzing safeguard issues may require different approaches than used for traditional investment projects. Consequently, the Bank has specific guidelines to assist the project team to undertake safeguard screening and develop requirements for such operations under Directive B7.

PROCEDURES / IMPLEMENTATION

The Bank requires that each operation undergo screening and safeguard classification as part of the preparation phase:

- The process of determining an operations safeguard risk category is to be initiated by the Project Team leader, in consultation with an environmental and/or social specialist;
- Categorization is to be undertaken using a standardized risk categorization form. Appropriate risk assessment checklists will be used, that are sector-specific, to provide reasonable summary information on questions related to: (i) the sensitivity and vulnerability of environmental resources in the project area; (ii) the potential for the operation to cause significant adverse environmental impacts (based on duration, geographical effect, and magnitude of operational impact); (iii) any significant resettlement issues; (iv) evaluation of the past environmental and social compliance performance of the implementing agency or sponsor; and (v) specific sensitivity or visibility regarding the sector, social situation (vulnerable groups, or perceived opposition to the operation) and historical problems associated with the operation;
- The standard risk categorization form and applicable checklists should be completed by the Project Team leader and be validated by the environmental and/or social specialist who participated in the screening process;
- The team will take into consideration in a comprehensive manner the natural environment (air, water and land); human health and safety; social aspects (involuntary resettlement, indigenous peoples, cultural property and other associated impacts); and transboundary

and global environmental aspects. Where appropriate, this screening will include sufficient information to identify, when relevant, the following: land use, air quality, noise, geology, soils, natural hazards, water resources (surface and ground water, coastal, etc.), flora (tropical forests, wetlands, or unique or sensitive areas), fauna (endangered, threatened, sensitive, economically important species), national parks or protected areas, areas of significant biodiversity, archeological resources, cultural and historic resources, population and settlement patterns, livelihoods, health and education, services and infrastructure, social organizations and groupings, indigenous populations, gender and vulnerable groups;

- If the Project Team leader in collaboration with an environmental and/or social specialist concludes that the operation poses minimum or no safeguard risks (“C”), only the Safeguard Screening Form is sent to CESI, after validation from the respective Department, for statistical and reporting purposes, and the operational document (PCD or equivalent) is not submitted to the CESI for review; However, “C” operations are not exempted from bank safeguards, which apply to all operations;
- For operations categorized as “A” or “B”, both the forms and the PCD are submitted to CESI for review and final categorization, following Bank procedures PR-204; and
- SDS/ENV will, on a yearly basis and in collaboration with Office of Evaluation and Oversight (OVE), analyze a representative sample of “C” projects to ensure a consistent and rigorous categorization by project teams of “C” projects. However, as the classification system is implemented across the Bank in 2005, a sample of operations classified as “C” will be reviewed at random, ex-ante, by the Bank’s Committee on Environment and Social Impact (CESI), in order to ensure consistency in the application of classification criteria. CESI is the advisory committee that reviews on behalf of the Loan Committee the environmental and socio-cultural viability of Bank operations as mandated by Bank Management Procedures (see PR-204 September 2003, Procedures for the Committee on Environment and Social Impact).

Operations are classified according to the following considerations:

High Safeguard Risk operations, “A”

For operations that will potentially cause adverse environmental, social and/or cultural impacts that are highly significant, in terms of size, length of time and magnitude as well as in sectors that present risk because of the sensitive nature of the operation, an Environmental Impact Assessment (EIA) is typically required. The EIA is an analysis and evaluation of the operations’ potential safeguard impacts (both positive and negative), including likely direct, indirect, induced, regional or cumulative consequences to the natural and human environment, as defined in this Bank Directive. In certain operations of a programmatic nature a Strategic Environmental Assessment (SEA) may be required. Operations involving significant involuntary resettlement as per Bank Resettlement Policy OP-710 will be considered high safeguard risk unless the team can demonstrate otherwise. For Category “A” operations, the executing agency / sponsor is responsible for preparing and submitting to the Bank for approval the EIA, SEA or Resettlement Plan. Bank required standards and processes (including economic analysis, consultation, disclosure etc.) for each of the Category “A” projects are described in detail under Directive B8.

Operations that are highly complex or that may pose significant human safety risks and potential contentious environmental or social concerns warrant seeking external expert advice of the

assessment and design process. This review may consist of an individual, consulting firm or group of experts encompassing the professional areas of concern (e.g., engineers, geologists, hydrologists, anthropologists, etc.) that will be contracted by the Bank through terms of reference.

Moderate Safeguard Risk operations, “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 severe negative impact. In addition, there is a reduced or negligible concern regarding implementation sensitivity. In these operations the Environmental Assessment due diligence documentation may take the form of several products (see Directive B.8). The potential environmental, social, health and safety impacts and risks due to construction, operation and maintenance of the operations must be summarized in the appropriate environmental plans²ESMP or due diligence report.

Minimum or No Safeguard Risk operation, “C”

Operations that have minimal or no safeguard risk are not required to undergo any impact assessment process and can proceed without further safeguard analysis. However, experience shows that even for simple projects, the application of best technical or management practices is required to prevent impacts. Therefore, these operations must comply with pertinent environmental and social specifications and guidelines, such as general and particular environmental specifications for projects that might require them.

Operations are classified as early as possible in the appraisal process. However, the classification is subject to change whenever the design of an operation is substantially modified. It is the Team's responsibility to ascertain substantial change, which is understood as changes that affect the environmental and social viability of the operation. These may be changes in project scope or project objectives or the addition/deletion of components to the operation or changes in the disbursement conditions of the loan. The Safeguard Risk Categorization Form may be modified at any time before final submission.

RESPONSIBILITIES

The determination of an operation's safeguard category is initiated by each Project Team leader, in consultation with environmental and/or social specialist(s) in the respective department³. The safeguard category is validated by the Department and submitted for review to the CESI, as required..

² Environmental plans may include the ESMP, the Health and Safety Plan, the Spill Prevention and Counter Control Plan, and/or the Contingency Plan and others.

³ If the expertise is not available in the Department, then the team leader may consult other environmental and/or social specialists within or outside of the Bank.

POLICY DIRECTIVE 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,** 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.7 GUIDELINES**OBJECTIVES**

- Assign the appropriate safeguard tools for operations where impacts and risks cannot be determined with certainty ex-ante, in preparation and design.

I. POLICY-BASED LOANS (PBLs)**CONSIDERATIONS**

PBLs, also known as Sector Adjustment loans, provide resources in exchange for the implementation of an agreed program of policy reforms and institutional changes in a sector or sub-sector. IDB-financed PBLs have supported reforms in a wide variety of areas, including the productive sectors, financial markets, public enterprises, modernization of the state and social sectors. Policy-based operations are consistent with the country's economic and sectoral policies and institutions aimed at accelerated sustainable growth and efficient resource allocation, and must take into account longer term implications on poverty reduction. These operations have focused on measures supporting markets liberalization, privatization, competitiveness, improving the investment climate and diversifying the economy.

Many of these policy reforms can have long-term implications for institutions, governance, societal relations, social cohesion, resource use and subsequent depletion and pollution, to name a few. While the precise linkages are often complex and difficult to predict before and even shortly after implementing a PBL, it is evident that policy reforms can affect the environmental and social sustainability in a country. Whether positive or negative, direct or indirect, analysis of PBLs demonstrates that policy reforms can influence the environmental and social dimensions of development.

Some of these operations support policy changes that can be benign or neutral in terms of environmental impacts. However, some others may include specific reform measures that have direct and unforeseen environmental and social implications.

The development and preparation of PBLs draws on relevant analytic work on the country undertaken by the Bank and the borrower. As appropriate, prior analytic work includes analyses of the country's economy-wide or sectoral policies and institutions.

PROCEDURES/IMPLEMENTATION

- The PBL preparation process should determine whether specific policy and institutional changes supported by the operation are likely to cause significant effects on the country's environment and natural resources;
- For policies and institutional reforms with likely significant environmental effects, the Project Team should assess the executing agency/sponsor's ability to reduce such adverse effects and enhancing positive effects, drawing on relevant country-level or sectoral environmental analysis;
- 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.
- If there are significant gaps or shortcomings in the executing agency/sponsor's capacity, the Loan Document will indicate how such gaps or shortcomings will be addressed before or during program implementation, as appropriate.

When necessary, the environmental assessment will focus on the policy actions to be supported by the program loan and include a matrix of potential environmental impacts of each policy action, together with appropriate mitigation measures. The principles followed in preparing the matrix include screening of potential environmental impacts (including, when feasible, indirect impacts); mitigation of potential adverse impacts; strengthening the institutional and policy framework; and monitoring outcomes.

Strategic Environmental Assessment (SEA), which facilitates systematic evaluation of the environmental impacts of a policy, plan or program and its alternatives, may be usefully applied as a best practice approach in the preparation of the environmental assessment (See Section 2. of B8). If an investment component is included in the program and/or specific projects are identified as a part it, these projects should follow normal environmental assessment requirements for investment loans.

II. FINANCIAL INTERMEDIARY OPERATIONS AND GLOBAL CREDIT LOANS CONSIDERATIONS

Financial intermediary operations (FIs) involve first-tier and second-tier operations. Second-tier operations consist of the Bank's lending to second-tier financial intermediaries, which in turn finance first-tier financial institutions who then finance specific investments called sub-projects to the final beneficiaries. Frequently, the Bank's funds will be channeled through a large financial institution such as a national development bank that on-lends to smaller commercial banks and other FIs. Sometimes a borrowing country's Central Bank acts as the intermediary between the Bank and smaller FIs. First tier operations consist of IDB lending directly to retail financial institutions, either public or private, which then on-lend to the final beneficiary. FI operations sometimes support on-lending investments in specific sectors such as agriculture or social services, through para-statal or specialized financial development and administrative institutions (e.g., agriculture, rural or regional development banks).

In addition, the Bank provides FI operations directly to the private sector, through products that may take many forms, such as equity and quasi-equity, trade finance facilities, global micro-credit programs, and others.

In contrast to direct investment loans, FI operations cannot be classified ex-ante as "A", "B", or "C". By the time the Bank approves a first or a second tier operation, it is not possible to determine who the final borrowers and recipients of IDB funds will be, nor the exact nature of the loan. For second tier operations, the problem is compounded by the fact that the first tier intermediaries might not yet be selected. Although in some cases FI operations have clear targets in terms of the sector and type of beneficiaries, in general these operations are open to financing a wide array of activities, ranging in terms of loan amounts, scale and scope of individual sub-loans. Therefore, it is important that FI operations are clearly guided by a set of agreed and transparent policy; procedures; monitoring and reporting system and ex-post verification, as needed.

PROCEDURES / IMPLEMENTATION

First-tier institutions are commercial banks, typically with multiple sources of funding, such as deposits, lines of credit from other private-sector institutions, and bond issues. Most of these funding sources place no particular restrictions on the use of their funds and first-tier banks are not normally equipped to screen their loan applications for compliance with environmental safeguard criteria. These banks are for-profit organizations with built-in incentives to reduce transaction and operating costs, including environmental requirements. When lending directly to First Tier FIs, the Bank plays the role of a second-tier institution and as such should apply the provisions of this directive regarding criteria for the environmental viability of its operations.

Second-tier banks most often are government-owned institutions, and as such can be expected to assume specific responsibilities to protect the environment. Thus if the borrower is a second tier institution it must demonstrate that appropriate procedures are in place to verify and to monitor compliance with environmental viability criteria by final recipients of IDB funding. Past and current experiences with retail loans made with IDB resources show that for the most part these

loans are very small and inherently carry little environmental impact. However, there are a number of loans that by the nature of the activity or the sector can have significant negative environmental impacts, if not properly managed and mitigated.

Except for technical cooperation operations or FI loans that can clearly demonstrate, ex-ante, that environmental impacts are minimal or non-existent, all other FI operations will require a due diligence analysis commensurate with the level of potential risk, to verify that the client financial intermediary (the first tier intermediary, for first tier operations and second tier intermediaries, for second tier operations) has adequate provisions to prevent, control and mitigate adverse impacts on the environment due to Bank funding.

Procedures for lending to first-tier Financial Intermediaries

Project Team will submit their environmental due diligence strategy for the FI operation, for review and approval by Bank Committees. When lending directly to First Tier FIs, the Bank's due diligence for first-tier FI operations will include as a minimum: i) an assessment of the FI's environmental track record, policies, review procedures, monitoring and reporting procedures, and ii) specific environmental requirements for the first-tier intermediary based on identified needs. In particular, the Bank will require that a detailed procedure be developed regarding environmental risks, commensurate to the impacts and risks of the activities financed.

Any FI will have to provide an Environmental Procedure that include, as a minimum: (a) compliance with local applicable legislation, including confirmation that required environmental licenses/permits have been issued; (b) a Bank approved Exclusion List, (c) a detail procedure associated with the FI project cycle, and (d) appropriate training. When an EMS is considered necessary, the FI must prepare an EMS, commensurate with its risks and impact.

The objective of the Environmental Management System (EMS) is to properly identify, assess, mitigate and monitor the potential environmental, social, occupational health and safety, or labor impacts and risks associated with each project and borrower, financed with IDB funds through the FI. Annex II present an example of the contents of a potential full-fledged EMS, applicable to first-tier FI's in Bank Private Sector operations.

The Bank will request reporting on compliance with environmental policies and procedures from the first tier institutions as part of its loan supervision and evaluation. In case of non-compliance or violation of agreed environmental procedures or requirements the Bank will have clauses that allow stopping disbursement and recall the loan, as determined by the Bank . The EMS should consider the need for the IDB to clear Category "A" sub-projects.

Procedures for lending to second-tier financial intermediaries.

Project Teams will submit their environmental due diligence strategy for the FI operation, for review and approval by Bank Committees. The Bank's due diligence for second-tier FI operations will include as a minimum:

- i) An assessment of the second-tier FI's environmental track record, its policies, review procedures, monitoring and reporting procedures,
- ii) Proposed procedures and specific environmental requirements for the second-tier intermediary based on needs identified during the due diligence analysis. The due

- diligence process will review and establish, as necessary, the eligibility criteria and requirements that the first-tier institution will follow to verify compliance of the final borrower and how it will report to the second-tier institution;
- iii) An assessment of the capacity and commitment of the second-tier intermediary to stop disbursements and recoup loan resources if agreed environmental procedures and requirements are violated or not implemented by the first-tier institution

As a general rule, second-tier institutions will apply to first-tier FIs the same minimum requirements for commensurate type and size of loans as when the Bank lends directly to first-tier FIs, as explained above. Eligible first-tier FIs for IDB funding are only those that formally agree to allow on-site inspections of projects/activities financed with IDB funds channeled through the second-tier bank.

This Bank directive applies to sub-projects financed with IDB funds. It does not apply to sub-projects, by the same financial intermediary, financed by funds other than those of the IDB.

If through the due-diligence process it is determined that a country does not have environmental institutions or capacities to regulate, norm, provide license and permits, and enforce standards, then FI programs will consider supporting such functions in appropriate units or agencies independent from the FI, as part of the Program, or through Technical Cooperation funds.

Verification of environmental compliance will be done by appropriate environmental agencies, units, or independent audits, as established in an agreed environmental and social management system.

Ex-post evaluations will include, as part of its general assessment, the environmental performance of the program.

Existing FI procedures

For FI loans for micro-enterprise financing or that are channeled through the Multilateral Investment Fund, or the PRI, the following existing Bank procedures will apply:

- For *micro-enterprise FI operations*, the Bank may provide loans through the Social Entrepreneurship Program (SEP), the Multilateral Investment Fund (MIF). Different types of micro-enterprise operations require varying levels of environmental and social due diligence, are explained in the [Guidelines for Environmental and Social Impact Due Diligence for IDB Microenterprise Operations](#), which establish the Bank's standards for such operations.
- The MIF may also provide FI funding to the private sector beyond micro-enterprises, specifically for *small and medium enterprises* (SMEs). The MIF is a special fund administered by, and part of, the IDB. The MIF operates through a variety of financial instruments including loans, equity investments, and grants. The main channels for both equity and loan investments made by the MIF are through financial intermediaries (FIs), which include regional, national and sectoral investment funds, banks and other financing mechanisms that act as the MIF's vehicles to provide funding for SMEs. The specific procedures to be used in environmental review and management for FI operations of the

MIF are detailed in the [*MIF/IDB Environmental and Social Guidelines for MIF Financial Intermediary Operations*](#).

Finally, the Private Sector Department (PRI) may provide loans or guarantees through private sector FI's, essentially for *trade finance facilities (TFF)*, *mortgage-backed securities (MBS)* or *infrastructure finance facilities investment funds (IFF)*. Annex II present the contents of a potential full-fledged EMS that PRI applies to first-tier FIs.

Review and update of FI procedures

The Bank will, in 2005, review its past experience in the implementation of such operations and update these guidelines for FI operations, as experience is gained in the review of such operations in the Committee on Environmental and Social Impacts, CESI.

POLICY DIRECTIVE B.8.

Preparation of Environmental Assessments (EA), 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.8 GUIDELINES**OBJECTIVES**

- Ensure that projects are environmentally sound and sustainable by requiring as part of the overall project preparation and design process, that each Category “A” and “B” financed operation be subject to environmental assessment (EA);

Ensure that the executing agency / sponsor provide the Bank with the necessary environmental and social information, depending on the potential environmental and social impacts of a proposed project. This information can take the form of one or several EA types: (a) an Environmental Impact Assessment (EIA); (b) Strategic Environmental Assessment (SEA); (c) an

environmental audit; (d) a corrective action plan; (e) a resettlement plan; or (f) an environmental analysis in specific areas of concern (e.g., pollution control, occupational health and safety); and (g) hazard assessment as described below.

CONSIDERATIONS

As part of the overall project preparation and design process of the project cycle, the Bank requires that “A” and “B” operation be subject to environmental assessment (EA) requirements. The contents and level of effort to produce an EA is commensurate with the expected impacts. The project sponsor is required to carry out the EA with the Bank’s assistance and orientation. EA evaluates the potential environmental impacts in the project’s area of influence, examines project alternatives and identifies ways of improving project and site selection, planning, and design. Measures to prevent, mitigate or compensate for adverse environmental impacts are also included as well as provisions to enhance projects. Category “A” operations normally requires an EIA or SEA to be undertaken, whereas Category “B” projects will only require an ESMP.

The EA is a tool that requires both technical and management skills to collect, evaluate and present relevant environmental and social information for use in project planning and decision-making. The EA provides a synthesis of relevant conclusions that predict what environmental changes may occur with alternative development scenarios and how to best address those changes. The EA report must indicate to decision-makers, the public and stakeholders that its review process was carried out according to good professional practices. The predictions, analysis and recommendations provided by the EA Report are based on scientific studies and techniques carried out during the EA or review process.

PROCEDURES/IMPLEMENTATION

The Executing Agency or Sponsor are responsible for submitting to the Bank relevant Environmental Assessment (EA) products, such as Environmental Impacts Assessments (EIAs), Strategic Environmental Assessments (SEAs), environmental analysis, Resettlement Plans and Environmental and Social Management Plans (ESMPs). The Bank reviews these products to verify they are of acceptable quality and content.

As part of the Bank internal project review process, the Environmental and Social Strategy (ESS) that forms part of a public or private sector project’s Project Concept Document (PCD) is incorporated into the PCD text or provided as an annex. The Project Concept Document for a public sector project will be made available to the public after the recommendations of the Bank’s Committee on Environment and Social Impact (CESI) and of the Loan Committee have been incorporated. In the case of private sector projects, the Bank prepares a Project Abstract including the (ESS), which will be made available to the public after the recommendations of the Bank’s CESI and of the Loan Committee have been incorporated and the respective mandate letter has been signed. Following the analysis or due diligence mission for an operation, the Bank also prepares an Environmental and Social Management Report (ESMR), if so requested by the CESI. For further information on CESI procedures please refer to PR-204.

The stages of the EA process should occur in relation to the project cycle. Ideally, the EA process begins before a site/corridor is selected and continues throughout the project’s life as laid out in the Environmental and Social Management Plan (ESMP). The EA should be carried out before the completion of the final design(s).

The EA includes information on the following topics, as appropriate, in relation to specific projects: assessment of the baseline environmental and social conditions; requirements under host country laws and regulations; applicable international treaties and agreements; sustainable use of natural resources; protection of human health, cultural properties, endangered species and sensitive ecosystems; use of dangerous substances; major hazards; occupational health and safety; fire prevention and life safety; socioeconomic impacts; land acquisition and land use; involuntary resettlement; impacts on indigenous peoples and communities; cumulative impacts of existing projects, the proposed project and anticipated future projects; participation of affected parties in the design, review and implementation of the project; consideration of environmentally and socially preferable alternatives; efficient production, delivery and use of energy; pollution prevention and waste minimization; and pollution controls (liquid effluents and air emissions) and solid and chemical waste management.

With the caveat that every project is different, the time required to undertake a Category “A” EA process and to prepare the EA report for a large, complex infrastructure project is six to twelve months. The review and approval process can add two to three months to the process. An EA process for a Category “B” project will typically require less time as the effort is focused on fewer issues. This time schedule is of course dependent on the type, scale, complexity and setting of the project, the timing and schedule of the feasibility study and the availability and quality of baseline data. In some cases it may be necessary to gather several months to a year of baseline data as part of the study before beginning the EA report. It is important to incorporate the time required for baseline data collection into the overall planning and scheduling of the EA process. This process must allot time to carry out the EA study and prepare the EA report, including time for the tendering and commissioning of consultants for these tasks.

1. The Environmental Impact Assessment

The EIA process is undertaken to incorporate environmental and social considerations into High Safeguard Risk operations and the formal documentation of this process is the EIA Report. This EIA process should be initiated in the early appraisal stages of project planning. The objectives of the EIA process are to: Ensure that environmental and social impacts are identified and addressed; anticipate and avoid, minimize or offset the significant adverse physical, biological and social effects of proposed development operations; protect the productivity and capacity of natural systems and the ecological processes that maintain their functions; promote development that is environmentally and socially sustainable; incorporate environmental and social measures fully into project design and execution; and engage the public and effected stakeholders by providing appropriate information about the project and EIA process. The ESMP, which ensures that impacts are avoided or addressed, is an integral part of the EIA.

The EIA process includes several activities that are the responsibility of the executing agency / sponsor. The Bank requires the EIA Report to be of specific content and quality based on a set of standards which will be reviewed and approved by Bank staff. The Bank will provide guidance and technical support, if needed, to the executing agency / sponsor to ensure that the EIA meets these standards. The requirements of the EIA process, as well as the EIA Report, are highlighted below.

In general, for private sector operations some of the Bank activities included under the Environmental Impact Assessment stages vary from those described below. The main reason for this variation is that, although the EIA must satisfy all Bank requirements, as for any other operation, the Bank is usually involved in private sector operations when the in-country EIA process has been completed by the sponsor. In these cases, the Bank performs an environmental analysis (often called an Environmental and Social Due Diligence) which is required to ensure that the environmental assessment previously conducted meets Bank standards and ensures environmental and social viability.

1.1 Scoping

This preliminary assessment is used during the early stage of project identification. It requires understanding the proposed project and all its components by referring to technical and other pre-feasibility or feasibility documents, undertaking field surveillance in the area of influence of the project (the timing of this process varies with type of project and Bank sponsoring Department) and holding discussions with agencies and organizations linked to the project. Bank environmental and social specialists begin this process as part of the screening process (see Directive B6) and often continue in project mission work in collaboration with executing agency / sponsor counterparts. The goal of scoping is to define the likely issues and impacts of the project and when applicable, to establish terms of reference (TOR) for the EIA, usually in consultation with the executing agency / sponsor and key stakeholders. Based on this work, the safeguard risk category is confirmed or the project reclassified, if necessary.

The TOR states the purpose of the EA, identifies the project to be assessed and explains the executing arrangements for the EA. The TOR includes information pertinent for potential parties who may conduct the EA, whether they are consultants or government agencies. This would include: a brief description of the major components of the proposed project; a statement of the need for the project and the objectives it intends to meet; the implementing agency; a brief history of the project, including alternatives considered and its current status and timetable; and the schedule and deliverables of the EIA study and report.

The Bank will also assess the capacity of the executing agency / sponsor to conduct the EIA functions for the proposed project. When inadequate technical, administrative or legal structures are in place, the Bank will include institutional strengthening components for the proposed project.

1.2 Consultation and Information Dissemination (see also Directive B.9)

The Bank requires public consultation as part of the environmental assessment process for High and Moderate Safeguard Risk projects. The executing agency / sponsor must consult with groups potentially affected by the proposed project and local non-government organizations to solicit their views and opinions. This usually requires, for high risk projects, in the early stages, providing sufficient information about project screening results and at later stages opportunities to review the EIA Report.

The EIA results are to be made available in a timely manner and in location(s), format(s) and language(s) that allow relevant stakeholders to form an opinion and comment on the proposed course of action. When applicable, a public consultation plan should be included in the TOR for

the EIA that defines participation objectives and methods for accomplishing this task. Please refer to the Good Practice section of the *Implementation Handbook* for an outline and further guidance on what should be covered within the consultation plan.

1.3 Examination of Alternatives

Alternatives analysis in EIA is designed to bring environmental and social considerations into the “upstream” stages of development planning—project identification and earlier—as well as the later stages of site selection, design and implementation. Inclusion of social and environmental considerations at an early stage can reveal alternative options and cost-effective ways of achieving the same project objectives at lower environmental or social cost (measured either by the severity of the impacts or the costs of measures to mitigate them). Incorporating analysis of alternative design into the consultation mode also provides affected communities and other interest groups input into the decisions regarding location, size and technology of the proposed project. (See also 1.6 Economic Analysis)

1.4 Impact Identification and Analysis

The impact analysis should provide sufficient information to predict changes over time regarding various environmental aspects of a proposed project. The prediction of the nature, extent and magnitude of environmental changes likely to result can be aided by various tools and techniques, the choice of which depends upon the impacts of concern and available information and data. When information and data are lacking or inadequate, additional studies and/or field work is required to generate sufficient environmental and socioeconomic descriptions. The choice of the appropriate method for identifying impacts as part of the EIA is based on the type and size of the project, nature of the impacts, available resources, time requirements, etc.

For a general discussion on impact identification and analysis see Ch.VII of Management and Fundamentals of EIA that is provided within the Good Practice section of the *Policy Implementation Handbook*.

Examples of these different methodologies are summarized below:

Checklists serve to identify possible consequences of a proposed activity and ensure that no relevant alteration is being overlooked during the first stage of an EIA. Different types of checklists include: simple checklists, descriptive lists, graded lists and questionnaires.

Flowcharts establish causal relationships that are usually linear between the alteration and the affected environment. They also serve to identify indirect impacts. Given that they do not serve to quantify impacts and fail to reflect complex relationships, they are most useful as a complimentary method and when impacts are relatively simple.

Networks identify impacts that result from each project activity and rank them as primary, secondary and tertiary impacts. They are useful for demonstrating the interconnected web of impacts that can occur although they fail to quantify the significance of impacts and may fail to interpret information in crowded networks.

Environmental cartography can be used to show individual impacts on a given land area and estimate the global impacts. The most common procedure used in environmental cartography is slide overlay. Although this method can identify, predict and assign a relative value to each impact, it fails to produce information regarding probability, dynamics and reversibility of impacts as well as clear scope limits.

Cause-and-effect matrices consist of lists that relate human activities and environmental impact indicators. They require familiarity with the affected area and the nature of the project. They are useful in identifying the source of impacts but are limited in establishing interactions, defining secondary and tertiary impacts and temporary or spatial actions. The Leopold Matrix and the Battelle Method are the two most commonly used matrices in environmental analysis.

1.5 Impact Mitigation

The projects proposed mitigation measures must encompass all actions taken to eliminate, offset or reduce potentially adverse environmental impacts to acceptable levels. Such measures are typically associated with the latter stages of project planning, although in practice they may occur at any stage throughout the project cycle. Normally, potential impacts are identified early during the initiation and scoping stages of EIA for a project and measures to avoid or minimize impacts are incorporated into the alternatives being considered. In this respect, some of the most important measures to protect the environment or local communities become integral to the project design. Mitigation measures may be broadly defined as either structural or non-structural. Non-structural measures include improvements to the legal or institutional framework, economic incentives (such as realistic pricing of utility services), training and measures to enhance public awareness. Structural measures encompass design or location changes, engineered structures or landscape treatments, based on the use of environmentally sound techniques and technologies. Compensation may occur when an environmental impact cannot be avoided or mitigated.

1.6 Economic Analysis

The Bank mandates performing economic analysis to assess the overall economic viability of projects. For Category "A" operations, this should include an economic analysis, to the extent practicable, of alternative measures to avoid or mitigate adverse environmental impacts and risks. The economic analysis is undertaken to further evaluate the alternatives identified in the EIA and to incorporate environmental economic information into the final evaluation of the proposed project. The consideration of project alternatives may reveal, for example, approaches with slightly higher direct investment cost but much lower ongoing environmental remediation costs. The incorporation of basic analysis focusing on a few key impacts and assumptions is sufficient to adequately evaluate the potential environmental economic costs and benefits. The analysis should consider a range of costs and benefits using relevant economic values. When benefit estimation is not possible, project teams should apply cost-effectiveness analysis and/or use detailed qualitative information to guarantee that informed judgments are made regarding the economic implications of the alternatives. The analysis should not focus exclusively on either "best estimates" or "worst case estimates."

1.7 The Environmental and Social Management Plan

The Environmental and Social Management Plan (ESMP), which is an integral part of the EIA Report for Category "A" operations or a standalone document for a Category "B" operation, should provide sufficient information on the mitigation, monitoring and institutional measures to

be taken during project implementation and operation. Environmental protection activities must be specified to avoid or control adverse environmental impacts, provide compensation for lost resources and enhance environmental resources. These measures shall also include requirements to address indigenous peoples and any involuntary resettlement. The monitoring program should describe with technical details the parameters to be measured or information to be collected, methods to be used, sampling locations, frequency of measurements, detection limits and triggers for initiating corrective actions.

All the actions needed to implement these measures should be presented in a work plan with a task timetable, costs and organizational structure, functions and responsibilities. The ESMP should also include the process for issuing reports and the planned public consultation process. If applicable, the ESMP should identify capacity strengthening needs for existing environmental units in the implementing agency or at the ministry level, including training, technical assistance and procurement of equipment and supplies.

1.8 Preparation of an EIA Report

A standard EIA report should contain sufficient details under the main sections as listed below:

Section 1 - Executive Summary

Section 2 - Project Objectives and Description

Section 3 - Policy, Legal and Regulatory Framework

Section 4 – Description of the Environment

Section 5 - Environmental Impacts and Mitigation Measures

Section 6 - Analysis of Alternatives

Section 7 - Environmental and Social Management Plan

Section 8 –Public Involvement and Disclosure

*See ANNEX II for section contents.

1.9 Environmental and Social Monitoring

These monitoring activities, usually undertaken by the executing agency / sponsor, should ensure compliance with provisions contained in the ESMP by measuring and evaluating key environmental (including health and socioeconomic) changes induced by a project. The overall objective of monitoring is to identify significant changes to the physical, biological and social environment brought about by the project. Specifically, monitoring can help determine the effectiveness of mitigation measures, verify that compensation is satisfactory and verify fulfillment of the commitments elaborated in the ESMP.

Environmental monitoring should involve: (i) the survey and/or sampling activities for collection of data/information relevant to the EIA and ESMP; (ii) analysis of samples and data/information collected and interpretation of data and information; and (iii) preparation of reports. The results of the monitoring program should be used to evaluate the: (i) extent and severity of the environmental impacts against the predicted impacts; (ii) effectiveness of the environmental protection measures or compliance with pertinent rules and regulations; (iii) trends in relevant impacts; and (iv) overall effectiveness of the project ESMP.

2. The Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is a type of environmental analysis that focuses on impacts caused by changes in policies, laws and regulations, or complex plans or processes containing a mixture of policy alterations, legal and institutional changes and investment activity. The SEA is used for the integration of environmental and social concerns in the process of developing policies, plans or programs. SEA may also be used to assess the implications of policy-based lending operations (e.g., structural or sectoral adjustment) or to inform policy decision-making outside the context of lending. For example, SEA may be used as part of reviewing strategic policy options in the water sector, in the process of developing new national trade policies or legislation or in planning decentralization of government functions.

3. Other EA Processes

Many investment projects do not need an EIA. Typically, these projects are not in environmentally and socially sensitive areas and have potential impacts that are narrow in scope, well-defined, well-understood, and straightforward to prevent or mitigate. Such projects may result in specific impacts that can be avoided or mitigated by adherence to certain predetermined performance standards, guidelines, or design criteria. Alternative approaches may therefore be more effective in integrating environmental and social concerns into the project sponsor's planning process. This section presents two such processes, environmental audits and environmental analyses.

Environmental Audits

The environmental assessment for such projects may consist, for example, of an environmental audit. An environmental audit is carried out on existing plants, projects or institutions and focuses on two elements: (a) compliance of existing facilities and operations with relevant environmental (including occupational health and safety) and social laws, regulations, and Bank requirements; and (b) the nature and extent of environmental impacts, including contamination to soils, groundwater, and structures, as a result of past activities. A Corrective Action Plan (CAP) is often an outcome of an environmental audit. The CAP sets forth corrective action items, schedules for implementation and costs. For further guidance on the principles, features and contents of Environmental Audits, please refer to "A Common Framework for Environmental Assessment" that is provided within the Good Practice section of the *Policy Implementation Handbook*.

As part of the Environmental Analysis performed for the Private Sector Department, an environmental audit is typically carried out on existing installations and facilities and focuses on two elements: (a) compliance of existing facilities and operations with relevant environmental (including occupational health and safety) and social laws, regulations and other requirements; and (b) the nature and extent of the existing environmental impacts and risks, including contamination to soils, groundwater and structures, as a result of past and existing activities. An Action Plan sets forth corrective action required, estimated costs and proposed timeframes and schedules for implementation.

Environmental Analysis

Environmental analysis is a general term used within the Bank to refer to other simplified EA processes for those operations that do not require a full EIA. These can be, for example, identifying specific environmental procedures to be incorporated into the operating regulations of an operation, management plans, simplified environment studies, etc.

In relation to Private Sector Department operations, Environmental Analyses are often undertaken for operations that include both existing operations and proposed new works, activities or operations, regardless of their level of risks. This is usually the case with respect to most of the Corporate Loans from the Private Sector Department. The Environmental Analysis for PRI Corporate Loans must include, as a minimum: (a) a description of the existing operations and the proposed investment plan; (b) an evaluation of the legal and regulatory framework applicable to both the existing operations and those included in the investment plan; (c) an evaluation of the existing environmental and social risks and impacts of the existing and past operations/activities (environmental and social liabilities); (d) an assessment of the potential environmental and social impacts and risk of the proposed operations, works or activities included in the proposed investment plans; (e) a proposed impact and risks management plan, including mitigation and monitoring programs for the potential impacts of the proposed and existing operations, works or activities; (f) an action plan to correct the identified liabilities, including an estimated budget and implementation schedule; and (g) a social communication plan for the life of the project.

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POLICY DIRECTIVE 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 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.9 GUIDELINES**OBJECTIVES**

- Ensure appropriate and inclusive dialogue processes between the executing agency / sponsor and stakeholders for these operations for Category “A” and “B” projects;
- Make publicly available all environmentally relevant materials associated with the operation including the full ESMR and EIAs; and
- Provide all documentation in accordance with requirements set in the Disclosure of Information Policy (OP-102).

CONSIDERATIONS

Consultation is the active soliciting of opinions, suggestions, criticism and recommendations from the public on Bank projects. Consultation should be conducted in such a way as to provide for the timely incorporation of such inputs in project documentation prior to the further design and/or implementation of the operation. The objective of consultation exercises is to ascertain views other than those of governments, sponsors and the Bank’s traditional counterparts. The precise form the consultation will take depends on the nature of the Bank project being undertaken. This could be face-to-face meetings with communities or other societal actors who are involved or effected by a project or with experts and representatives of civil society organizations specializing in a given field or issue. Others will be electronic consultations, taking advantage of modern information technologies.


Consultation and information dissemination are discussed in the proposed *Strategy for Promoting Citizen Participation in Bank Activities*. The underpinning for consultation and information dissemination is a dialogue with and among a project’s stakeholders. Participation is most meaningful when it gives concerned and affected parties the opportunity for timely and continual input.

Acknowledging the importance of providing information to the public, the Bank has adopted an information disclosure Policy (see the Disclosure of Information Policy OP-102). Timely and effective access to information on the part of member countries’ citizens and civil society organizations is essential. The Bank’s Office of the External Relations Advisor will have

primary responsibility for providing information to the public. Information will be made available through the Bank's Internet Website, the Public Information Center at headquarters, the Country Offices and the Special Office in Europe and the Office in Japan.

PROCEDURES/IMPLEMENTATION

The consultation should be carried out as early as possible in the project cycle and the stakeholders should be adequately informed about potential impacts, so that views of affected groups are taken into account in the design of the project. For Category "A" projects, and to the extent practicable, the executing agency / sponsor will perform a stakeholder analysis to identify potential affected social groups and consult with these groups. Consultations and information dissemination are undertaken at key stages during the EIA preparation process. The EIA results are to be made available in a timely manner and in location(s), format(s) and language(s) that allow relevant stakeholders to form an opinion and comment on the proposed course of action. Consultation for "B" projects should provide, at minimum, information to directly affected stakeholders and, as required, dialogue regarding the project scope and proposed mitigation measures. Consultation should also take place during project implementation to identify and help address environmental issues that arise. A public consultation plan (see Directive B.8) should be included that defines participation objectives and selection of methods for accomplishing this. In the case of consultations with indigenous peoples, the executing agency / sponsor should follow the Operational Policy on Indigenous Peoples GN-2296 [under preparation <http://www.iadb.org/sds/doc/IND%2DGN2296aE.pdf>].



POLICY DIRECTIVE 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.10 GUIDELINES**OBJECTIVES**

- Have Bank authorities review Category "A" and "B" safeguard products;
- Include in the Loan Contract or Operating Regulations the key ESMP requirements and Action Plan (see Section 4 of Directive B.8) with explicit budgeting for mitigation measures and explicit safeguard triggers
- Require the Executing Agency or Sponsor to implement corrective action when unforeseen environmental and social problems arise and/or when the implementing agency fails to comply with the contractual requirements;
- Undertake Bank safeguard supervision for Category "A" and "B" projects; and
- For high risk operations, analyze and report on safeguard performance as part of the Bank's administration and portfolio review missions

CONSIDERATIONS

The Executing Agency or Sponsor are responsible for submitting to the Bank relevant Environmental Assessment (EA) products, such as Environmental Impacts Assessments (EIAs), Strategic Environmental Assessments (SEAs), environmental analysis, Resettlement Plans and Environmental and Social Management Plans (ESMPs). The Bank reviews these products to verify they are of acceptable quality and content. During project implementation the Bank will also verify through supervision activities that safeguards are implemented in a timely and adequate fashion and in accordance with the stipulations included in the Loan Contract or Operating Regulations. In order to ensure that environmental and social safeguards are not lost within the process of Loan execution, the Loan Contract or Operating Regulations should include specific safeguard triggers that serve as binding clauses.

Project teams or Country Office specialists (COF) supervise individual Bank projects, as defined by Bank procedures. In addition, 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. The Bank is developing a portfolio risk management review procedure, which will include environmental and social aspects, and that will cover all 3 categories (A, B, and C) of projects. Detailed responsibilities and procedures will be developed with the approval of this Policy. This process will serve to confirm that projects are being properly classified and that the appropriate safeguards are incorporated to mitigate any potential environmental and social risks.

PROCEDURES / IMPLEMENTATION

EA Review and Approval Process

The Bank determines the acceptability and quality of the EA products, submitted by the executing agency / sponsor, based on a review undertaken by internal environmental and social specialists at the Regional Departments and/or the Private Sector Department (PRI). The results of such review are then submitted to the Committee on Environment and Social Impact (CESI). The project team reviews the EIA or the environmental analysis, and then submits an Environmental and Social Management Report (ESMR) when requested by CESI. CESI is the advisory committee that reviews on behalf of the Loan Committee the environmental and socio-cultural viability of Bank operations as mandated by Bank Management Procedures (see PR-204 September 2003, Procedures for the Committee on Environment and Social Impact http://sdsnet/divisions/env/handbook/03proced_cesi.htm).

Incorporating EIA Requirements Into Legal and Procurement Documents

It is important to include all key ESMP requirements and/or Action Plan in the Loan Contract or Project Operating Regulations or Sector Letter. Each contract or operation regulation and/or sector letter will contain environmental provisions that define the commitments agreed upon by the Bank and the executing agency / sponsor that serve as binding clauses during execution. Annexes will contain an environmental section that clearly lists key environmental terms and conditions, including specific safeguard procurement requirements. For Public Sector projects, Annex A of the Loan Document should include explicit budgeting for safeguard or mitigation measures. These should include key environmental milestones such as dates for reporting on environmental compliance per specified indicators. The Bank expects that these safeguard conditions will be reflected in appropriate Loan Contract clauses and technical cooperation agreements or project operating regulations.

Supervision of Category “A” and “B” Projects

Safeguard supervision encompasses any Bank activity directed toward ensuring that executing agencies / sponsors implement projects responsibly regarding agreed environmental safeguards and the need to address unanticipated environmental problems. This typically involves visiting project sites and meeting with the executing agency / sponsor and its representatives and reviewing environmental monitoring reports. It may also involve a thematic review covering several similar projects in a country. Where environmental or socioeconomic problems arise during project implementation, the Bank works with the executing agency / sponsor to resolve them. This may require identifying corrective actions to be taken by the executing agency / sponsor, such as modifying the design of the project, or mitigation measures and the environmental and social requirements (of which performance monitoring is but one element) within the ESMP (see Directive B8).

For high-risk (Category “A”) public-sector operations, the sponsoring Bank Department will submit, with review by SDS/ENV, a transmittal form to the Bank’s Country Office, outlining expected safeguard compliance actions throughout the life of the operation. This will be based on the ESMP, the Loan Contract, the Project Operating Regulations, and/or Sector Letter and will provide a clear expectation of safeguard performance standards. Safeguard indicators, as appropriate, should be defined in the Logical/Results Framework, monitored in the PPMR⁴ and reviewed in the mid-term review and PCR⁵ report. The Bank will review project performance and address non-compliance issues in collaboration with the lending party. The Bank will apply necessary remedies to seek compliance in the event that collaboration fails to bring the expected results.

Compliance with environmental commitments, lessons learned and identification of unexpected issues for all high risk operations will be analyzed, reviewed and reported as part of the Bank’s annual administration and portfolio review missions.. This will become integrated into the Bank’s Retooling exercises aimed at portfolio risk management. On a more limited and ad hoc basis, the Bank will conduct a review of a sample of Category “B” and “C” projects to verify that these projects were classified appropriately and that safeguard provisions were in fact implemented as required.

⁴ PPMR: Project Performance Monitoring Report

⁵ PCR: Project Completion Report.

POLICY DIRECTIVE 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.11 GUIDELINES**OBJECTIVES**

- Identify trans-boundary issues during the screening process;
- Develop an appropriate framework for consultation and formal notification to the affected country or countries for operations with potentially critical trans-boundary environmental impacts and risks; and
- Assist the borrower to inform other affected countries about proposed mitigation measures and facilitate opportunities for affected countries to provide comments and feedback in a timely manner.

CONSIDERATIONS

Some projects may have negative environmental and human impacts and risks that reach beyond national borders. These regional or trans-boundary impacts may require environmental assessment procedures that predict or model impacts. Projects where regional or trans-boundary issues most often arise include large infrastructure projects such as roads, hydroelectric, irrigation and pipeline projects that effect river basins, coastal area and forest lands or other critical conservation areas. Financed facilities that generate significant amounts of air or water emissions and discharges potentially impacting transboundary areas also fall under this directive. When determining the area of influence of a project, indirect, long-term, cumulative, and synergic impacts should also be considered and be avoided or addressed.

As indicated in directive B6, indirect and cumulative impacts must be considered in screening for an operation's impacts. These impacts must be assessed and mitigated, if found significant, for an operation to be environmentally viable.

PROCEDURES / IMPLEMENTATION

As part of the screening process (see Directive B6), the Bank will identify any regional and/or trans-boundary environmental issues of concern. This screening will specify if there are any potential significant direct, indirect, long-term, cumulative and/or synergic impacts associated with: (i) air and ground and/or surface water emissions or discharges that will effect common natural resources (e.g., critical conservation areas (see Directive B4)); (ii) water flow regimes of major water systems crossing from one sovereign state to another or trans-boundary aquifers effected by large scale water extraction (for irrigation, hydropower or other industrial use) or land use changes over large areas of important aquifers, watersheds or water basins of trans-boundary water bodies (inclusive of surface waters, man-made reservoirs or lakes); and (iii) large scale (e.g., Category "A" projects – see Directive B6) infrastructure projects (roads, ports and harbors, oil and gas extraction and associated pipelines, hydropower, mining) that will lead to changes in travel and migration patterns, natural resource use and extraction, land use/land cover

change. In addition, it will entail a review of applicable regional/international agreements to ensure that the operation does not violate Multilateral Environmental Agreements (MEAs) that are relevant to transboundary issues and that have been ratified by the borrower member's country (See B.2).

When such operations are identified as having significant direct, indirect, long-term, cumulative, and/or synergic impacts, the Bank will assist the borrower and appropriate government agencies in informing other sovereign states about the operation in a documented form that summarizes the activities of the operation and its associated impacts and risks of concern and opportunities to implement mitigation measures to reduce such impacts and risks as they would impact on the effected state. In addition, the Bank will assist the borrower in offering further information, if deemed necessary by the effected states, and allow sufficient time for the effected states to respond to the information and provide feedback. The Bank will also assist in supporting the implementation of agreements reached between the parties, if solicited.

In all such cases the Board will be properly informed and management will seek recommendations from the Board in the appropriate channels to address any issue of international concern or conflict, as required.

POLICY DIRECTIVE 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.12 GUIDELINES**OBJECTIVES**

- Identify significant impacts or risks and require a statement of liability for pre-existing conditions or for predicted impacts and risks develop options for corrective action or enhancement;
- Provide technical cooperation, additional resources, or other lending options to support such actions; and
- The executing agency / sponsor will provide evidence of compliance with required remediation actions and have independent verification of such measures.

CONSIDERATIONS

In a number of operations the Bank provides financial assistance to the executing agency / sponsor to update, modify or expand already existing facilities (e.g., pipeline extension, additional pipelines in an already existing ROW, terminal for gas or oil export, additional extraction fields, transmission line, expanded generator capacity for hydro-power, industrial upgrades, expansion or retrofitting of manufacturing processes) or infrastructure works (airports, widening of highway, extension of highway, expansion of rail or subway system, expanded water diversion for irrigation systems, upgrade/expansion of ports and harbors and tourism facilities). These projects, although more limited in size and often proposed to be constructed long after other components of the overall projects, may add to environmental and associated social impacts or have potential significant impacts as a stand-alone component.

PROCEDURES/IMPLEMENTATION

These operations will be screened (see Directive B6) and impacts and risks of concern identified early in the preparation process. If there are potential significant impacts, the executing agency / sponsor will be required to demonstrate how such impacts and risks will be mitigated through submission and approval of any one of several environment assessment products (see Directive B6 and B8). Although the financed operation might be a smaller component or limited piece of a larger facility or infrastructure project, the executing agency / sponsor will provide an overview and description of the entire facility or project and identify any outstanding environmental and risk issues associated with these facilities or projects.

The identification of any significant impact or risk will require a statement as to liability, if appropriate, or predicted impacts and risks and options for correction or enhancement. The executing agency / sponsor and the Bank will seek to remediate such problems through technical assistance, additional resources or other lending options. These options, approaches and recommendations will be made transparent in all loan documents. The Bank will require evidence of compliance with such impact and risk issues by the executing agency / sponsor and have independent verification of such measures.

POLICY DIRECTIVE 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.13 GUIDELINES**OBJECTIVES**

- Safeguard compliance verification to the Bank for those operations that: (i) had received Bank support in a previous loan that was recently closed; or (ii) are part of a sequenced set of disbursements or tranches;
- Presentation of proposed remedial actions when significant environmental risks remain from previous phases of a multi-phase operations prior to approval of a new Bank loan;
- Inclusion of environmental triggers as conditions within the Loan Contract, Operating Regulations, and/or Logical Framework for the Loan to continue onto its subsequent phase.

CONSIDERATIONS

Many projects require Bank financing during subsequent phases of their development. These multi-phase operations often have already undergone the EA process, alternative analysis and design phases where key decisions have been made regarding environmental and social safeguards.

Increasingly, the Bank is supporting a modality of multi-phase programs in which second or subsequent phases are triggered by the fulfillment of agreed benchmark indicators. Second phase loans do not require new feasibility studies, beyond the demonstration that results and outcome indicators have been satisfactorily met.

In order to ensure that these operations comply with this policy, it is necessary that compliance with previous safeguard requirements is verified and that remedial actions are proposed for remaining risks. The Bank recognizes that several procedures are available (e.g., environmental audit, chemical process review, ambient water or air quality monitoring, assessment of trigger indicators for second phases, ex-post evaluations, etc.) for documenting compliance.

PROCEDURES / IMPLEMENTATION

Compliance verification may take the form of summary information about any previous environmental assessment process (e.g., EIA, environmental audit, and other environmental analyses, see Directive B8), associated Environmental and Social Mitigation Plan and compliance results. In numerous cases, such verification may also include specific requirements from Loan Contracts, Operating Regulations or Sector Letters, and associated confirmation that all such conditions and covenants were completed. Environmental triggers incorporated into the

loan documents or the logical framework should be considered as conditions for the loan to move onto subsequent phases.

When there is no clear documentation or evidence that such requirements have been completed, the Bank will require the executing agency / sponsor to undertake an environmental audit, or equivalent, to demonstrate compliance. If there are shortcomings in compliance, as evidenced from any of these reviews, the Bank and executing agency / sponsor will negotiate an agreement for undertaking corrective actions to meet all previous or new requirements. This process must be completed before submission of the new operation to the Board. It must include clear documentation that has been agreed upon by the Bank and the executing agency / sponsor concerning such noncompliance issues. In cases of multiphase loans, the review of trigger indicators to pass to a second phase will include assessing compliance with environmental provisions recommended during the first phase. CESI will be informed about this assessment, and provide recommendations, as needed, before the project teams request to the Board approval for second phase financing.

When appropriate, the Bank will provide additional resources to assist the executing agency / sponsor to comply with outstanding environmental issues if both parties agree upon the deadline for completion of such initiatives. In certain circumstances, the Bank will also add into the Loan Contract or Operating Regulations stipulations concerning these actions if all parties concur that they can only be accomplished during the early part of any new financing.

Given that this Policy is not retroactive, if gaps exist between previous Bank requirements and this Policy for a multi-phase operation, the standards that existed at the time the contract was signed will continue to apply for the operation. However, if the operation requires a new loan, then all gaps that exist between the previous Bank safeguard requirements and this Policy need to be identified and addressed within the Project Concept Document. During multi-phase operations it may be advisable to have secondary phase operations reviewed by CESI at an early point during the preparation phase. This is due to the faster preparation timeframe for secondary phases and the time required to address issues identified by CESI.

POLICY DIRECTIVE 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.14 GUIDELINES**OBJECTIVES**

- Harmonize EA processes when multiple financiers are involved.

CONSIDERATIONS

In the context of Bank lending instruments, co-financing provides important resources to the operation. In a typical co-financed program or project, the financial resources from the co-financier are considered counterpart funds, and therefore become an integral part of the total project cost. In this case, all of the financial resources, including the co-financing, follow administrative, legal, financial, and environmental procedures required by the Bank.

Also, in some cases an operation or program may be financed under the modality of parallel financing, in which the financing by all parts are complementary in the context of a broad program, but the administration of the portion of Bank financing is separate from the other financiers.

The Bank recognizes that county clients increasingly rely on a blend of financial support from various lenders and donors, which often results in larger operations having multiple financiers. The safeguard requirements of this Policy have strong compatibility with those of the World Bank, a key MDB operating in the region. There is precedence for these institutions to adopt a single environmental and associated social impact assessment and mitigation process (e.g., Bolivia-Brazil Gas pipeline, Social Funds).

The Bank participates in the MDB harmonization process and is supporting in-country systems (see Directive B2). Both the World Bank and the IDB are pursuing opportunities to use in-country systems in a coordinated fashion. Furthermore, the Bank is embarking on more diverse financing opportunities to project sponsors that are acquiring financing from the commercial lending marketplace. Most of these financial institutions are adopting the Equator Principles (see: <http://www.equator-principles.com/>), that provide assurances that safeguard requirements are also part of these institutions' financial packages.

PROCEDURES / IMPLEMENTATION

For co-financing operations, the executing agency / sponsor will document all safeguard requirements mandated in this policy, as appropriate, and illustrate how using other financial EA processes and documentation meets each specified directive. This will be summarized in the Project Documentation and all safeguard compliance requirements will be defined in terms of lender requirements, supervision and verification to the satisfaction of the Bank.

POLICY DIRECTIVE B.15

Loans that address catastrophic disasters under the Immediate Response Facilities (IRFs) do not require environmental assessments. These IRF 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.15 GUIDELINES**OBJECTIVES**

- Allow timely emergency assistance to countries in times of catastrophic disasters
- Incorporate disaster risk management in EA process

CONSIDERATIONS

In the immediate aftermath of a disaster, the primary goal is to minimize the loss of life and property and to stabilize the situation to allow recovery to begin effectively. The Bank considers it extremely important to provide rapid access to financing for member countries in response to earthquakes, tidal waves (tsunamis), windstorms, cyclones, volcanic eruptions, floods, droughts, forest fires, and landslides, or a combination thereof; and disasters resulting from technological hazards such as explosions, structural collapse, and oil and chemical spills.

At the same time, the IDB promotes a proactive stance to reduce the toll of disasters in the region that encompasses both pre-disaster risk reduction and post-disaster recovery. This focus places disaster prevention and mitigation at the forefront of the region's development agenda and the Bank is seeking the integration of disaster risk reduction as a consideration in all investments.

Thus, it is important to distinguish between operations that provide immediate emergency response from other types of disaster related operations. Contrary to emergency response activities, safeguards do apply to Bank assistance to member countries for the reconstruction operations after the initial emergency response phase. This includes Bank assistance for: (i) disaster preparedness that aims to lessen the impact of a hazard by permanently institutionalizing the countries' ability to cope quickly and effectively with the emergency; (ii) disaster prevention and/or mitigation including measures undertaken to prevent potential natural and technological hazards from having harmful effects on persons, economic infrastructure or the environment; and (iii) long term reconstruction after the initial emergency response phase that includes major infrastructure investments. Safeguards are required for many of these long-term investments in order to prevent future vulnerability.

PROCEDURES / IMPLEMENTATION

In the first 6 months, the Bank, depending on the type of disaster and the state of preparedness, will support the repair to damaged service infrastructure as promptly as possible, the provision of

necessary services and safety for the population, and the normalization of economic activities.⁶ Under the IRF (PR-806), the menu of eligible items are exempted from safeguard requirements.

Assistance of up to \$200,000 provided to affected countries using the Technical Cooperation for Emergencies derived from Natural Disasters (PR-802, GN-1862-5 and AT-986-1) is also exempt from safeguard requirements. This assistance is restricted to humanitarian relief, to be implemented through nongovernmental organization or an international humanitarian agency.

However, it is conceivable that loans aimed specifically at improving disaster risk management may themselves require environmental safeguarding. As such, safeguards will apply for Bank operations that include investments to reduce losses due to natural hazards. This includes loans under the Disaster Prevention Sector Facility (GN-2085-5) and all others that finance equipment, works and services for risk identification and forecasting, risk mitigation including structural and non-structural measures to reduce harmful effects on persons, economic infrastructure or the environment, and disaster preparedness that aims to strengthen the countries' ability to cope quickly and effectively with the emergency, through early warning systems, stockpiling, and evacuation and shelter programs. The Disaster Prevention Sector Facility loans obey a pre-established, limited menu of risk reduction actions in the above areas of investment.

For specific disaster management requirements, refer to the Bank's new Policy on Natural Disaster Risk Management [under preparation].

⁶ See PR-806 for menu of eligible activities (note, GN2038-15-E, which includes modifications of PR-806, adopted in July 2003).

POLICY DIRECTIVE 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.

B.16 GUIDELINES**OBJECTIVES**

- Promote environmentally responsible procurement by borrowers.

CONSIDERATIONS

The Bank encourages executing agencies / sponsors to ensure, wherever possible, that the works, goods and services procured under Bank financed operations have been produced in an environmentally responsible manner. The focus is on finding sustainable solutions for executing agency / sponsors and implementing agencies to reduce impacts on the environment. Over the past several years, environmental responsibility has expanded to involve substantially more than compliance with all applicable government regulations or even a few initiatives such as recycling or energy efficiency. Many citizens, environmental organizations and leadership companies now define environmental responsibility as involving a comprehensive approach to an organization or company's operations, products and facilities that includes: assessing business products, processes and services; enhance energy and resource efficiency; eliminating waste and emissions; cleaner production; maximizing the efficiency and productivity of all assets and resources; and minimizing practices that might adversely affect the environment and natural resource base.

PROCEDURES / IMPLEMENTATION

Suitable provisions will be included in loan and project agreements or Operating Regulations as well as bidding documents to ensure environmentally responsible procurement. Specifically, bidding documents with environmental requirements will contain requirements, conditions, and standards specifically identified in the Loan Contract or Operating Regulations. In the context of the environmental assessment of the operation, the project team and the executing agency and executing agency / sponsor will identify and agree on these requirements, conditions and standards, that will be included in the Loan Contract or Operating Regulations, so that subsequently these will be the only ones considered in bidding documents.

In addition, the Bank procurement procedures will comply with management approved exclusion lists of products that do not conform to the Bank's environment policies.

The responsibility of determining the parameters for implementing the above lies exclusively with the project teams and the technical departments of the Bank. The Office of Procurement only assure that those parameters are complied with during the procurement process.

The Bank will coordinate and work closely with other MFIs, particularly with the World Bank, to assure harmonization, coordination, and adoption of best practices.

ANNEX 1. Key International Agreements

Agreements related to biological diversity and natural habitats

Convention on Biological Diversity (Rio de Janeiro, 1992) ensures conservation of biological diversity and sustainable use of its components. It also promotes a fair and equitable sharing of the benefits that can be drawn from genetic resources.

<http://www.biodiv.org/welcome.aspx>

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington 1973) establishes lists of endangered species for which international commercial trade is either prohibited or, via permit systems, regulated to combat illegal trade and overexploitation. It does this by means of a system of import/export permits issued by a management authority under the control of a scientific authority. Each state must designate national management and scientific authorities to grant and review the Convention permits and records of permits granted are supposed to be sent annually to the Convention Secretariat for review.

<http://www.cites.org/eng/disc/text.shtml>

The Convention on the Conservation of Migratory Species of Wild Animals (Bonn 1979) obligates parties to protect endangered migratory species and to try to conclude international conservation agreements for vulnerable species yet to be endangered.

<http://www.cms.int/>

The Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar 1971) aims to stem the progressive encroachment on and loss of wetlands now and in the future, recognizing the fundamental ecological functions of wetlands and their economic, cultural, scientific, and recreational value; and to coordinate international efforts for this purpose.

<http://sedac.ciesin.org/entri/texts/ramsar.wetlands.waterfowl.habitat.1971.html>

Agreements related to control and prevention of pollution

Framework Convention on Climate Change (New York, 1992) seeks to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. It aims to do this within a time frame sufficient to allow ecosystems to adapt naturally to climate change, ensure that food production is not threatened, and enable economic development to proceed in a sustainable manner.

<http://unfccc.int/2860.php>

United Nations Convention on the Law of the Sea “UNCLOS” (Montego Bay, 1982) operates as an umbrella agreement and seeks to establish a comprehensive legal order to facilitate international communication and promote peaceful uses of the oceans, rational utilization of their resources, conservation of living resources and protection of the marine environment. It also seeks to establish basic environmental protection principles and rules on global and regional cooperation, monitoring and environmental assessment.

<http://www.un.org/Depts/los/index.htm>

Stockholm Convention on Persistent Organic Pollutants (Pops) is a global treaty to protect human health and the environment from persistent organic pollutants (POPs). POPs are chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. POPs circulate globally and can cause damage wherever they travel. In implementing the Convention, Governments will take measures to eliminate or reduce the release of POPs into the environment.

<http://www.pops.int/>

International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (MARPOL 73/78) is limited to vessel-generated pollution. It seeks to prevent, minimize and control marine pollution from ships. When funding ports and harbor projects, EAs should take into account existing or potential pollution problems from ship traffic.

http://www.imo.org/Conventions/contents.asp?doc_id=678&topic_id=258

Vienna Convention for the Protection of the Ozone Layer, including the Montreal Protocol on Substances that Deplete the Ozone Layer (Vienna, 1985) seeks to control human activities found to have adverse impacts on the ozone layer. It is supported by the Montreal Protocol, which is supplemented by two amendments (London and Copenhagen) that commit the parties to take strong actions to sharply reduce and eliminate emissions of substances found to deplete the ozone layer.

<http://www.unep.org/ozone/viennaconvention2002.pdf> and

<http://www.unep.org/ozone/Montreal-Protocol/Montreal-Protocol2000.shtml>

Kyoto Protocol to the United Nations Framework Convention on Climate Change aims to stabilize the greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

<http://unfccc.int/resource/docs/convkp/kpeng.html>

Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel, 1989) seeks to control and reduce transboundary movements of hazardous wastes; minimize the hazardous wastes generated, ensuring their environmentally sound management, including disposal and recovery operations, as close as possible to the source of generation; and to assist developing countries in environmentally sound management of the hazardous and other wastes they generate.

<http://www.basel.int/text/con-e.htm>

Other relevant conventions

The Convention Concerning the Protection of the World Cultural and Natural Heritage (Paris 1972) recognizes the obligation of all states to protect unique natural and cultural areas and the obligation of the international community to help pay for these resources. A World

Heritage Committee, drawn from the 111 state parties, establishes and publishes the World Heritage List of sites of exceptional cultural or natural value.

http://whc.unesco.org/world_he.htm

ANNEX II. Contents of a PRI EMS for First Tier Financial Intermediaries.

The EMS includes the following components:

- a) **Policy and Requirements:** which define the basic principles, eligibility criteria, and environmental, social, health and safety, and labor requirements for projects and borrowers to be financed by the FI, and shall include: (1) exclusion of financing by the FI of a select/limited set of projects or activities due to their significant negative environmental, social, health and safety or labor impacts or risks; (2) compliance with all applicable host country laws and regulations related to environmental, social, health and safety and labor matters; (3) compliance with other additional requirements established by the FI, including the IDB Policy on Involuntary Resettlement, the applicable guidelines and requirements in the World Bank Pollution Prevention and Abatement Guideline, and the applicable sector guidelines established by the International Finance Corporation; (4) compliance with any project-specific impact or risk mitigation measures deemed necessary by the FI for a particular project; and (5) information disclosure requirements for project's financed by the FI.
- b) **Process:** which defines the approach for the FI's environmental, social, health and safety and labor assessment and management of individual projects and borrowers, including a written procedure/mechanism to identify, assess, mitigate, and monitor potential environmental, social, health and safety and labor impacts and risks (including liabilities and public concerns) for FI financed projects including documentation and information disclosure procedures. This procedure shall include, as minimum, the following phases: (1) initial project borrower/sponsor contact and proposed project evaluation in particular in terms of eligibility (exclusion list); (2) complete environmental, social, health and safety and labor due-diligence prior to consideration by the FI's credit committee, including incorporation of the results of such due-diligence into the project proposal/document considered by the FI's credit committee; (3) establishment of project-specific terms and conditions for the loan (legal) agreement related to environmental, social, health and safety, and labor aspects; and (4) implementation by the project borrower and the FI of project-specific loan supervision (monitoring) activities of environmental, social, health and safety and labor matters for the life of the FI's financing of a project.
- c) **Resources:** which defines personnel and training aspects necessary for the full and adequate implementation of the EMS, including: (1) FI's staff/personnel specializing in environmental and social matters; (2) use of external technical consultants to support the EMS implementation; (3) budget and resources EMS implementation; and (4) training of the FI's financial investment officers, credit personnel, and loan administration staff with respect to the EMS.
- d) **Review and Reporting:** which establishes (1) the process for routine review of individual FI financed projects related to environmental, social, health and safety and labor aspects and the implementation and effectiveness of the EMS, (2) the subsequent reporting of results from such reviews to both internal FI management and to FI investors, and (3) as necessary, the process for implementation of actions necessary to resolve or address issues identified.