

Implementation Guidelines for  
the Environment and  
Safeguards Compliance Policy

**Inter-American Development Bank**

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## Foreword

This document presents the Implementation Guidelines for the Environment and Safeguards Compliance Policy approved by the Management of the Inter-American Development Bank (IDB). Its objective is to support project teams and staff in the interpretation and implementation of each of the Policy Directives. Therefore, these Guidelines aim to strengthen the Bank's commitment with environmental sustainability in the region.

As with the Environment Policy, the development of these Guidelines represented a joint effort and collaboration among all areas of the IDB, including central and operational departments and country offices. The process was also enriched by an open and broad process of internal and external consultations.

With this publication, we make available this guide for policy implementation to all Bank staff, executing agencies, and those interested on the extent and application of the IDB's Environment Policy, in the hope that it will help increase the effectiveness of the Policy itself, and answer any questions that its implementation may give rise to.

Keeping in mind that this document is still very much in evolution, we encourage users to send their comments and report on their experiences so that the effectiveness of these guidelines continues to grow in the future.

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## Acronyms

CCLIP	Conditional Credit Line for Investment Projects
CEA	Country Environmental Analysis
CESI	Committee on Environment and Social Impact
CITES	International Convention on Threatened Species
CCLIP	Conditional Credit Lines for Investment Project
COF	Country Office
CRG	Management Review Committee
DEV	Development Effectiveness and Strategic Planning Department
EA	Environmental Assessment
ECLAC	Economic Commission for Latin America and the Caribbean
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EN	Environment and Natural Resources Management Division, Regional Operations Departments
ESDD	Environmental and Social Due Diligence
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
FAO	Food and Agriculture Organization (United Nations)
FI	Financial Intermediary
GHG	Greenhouse Gas Protocol Initiative
IDB	Inter-American Development Bank
INT	Integration and Regional Programs Department
IPCC	Intergovernmental Panel on Climate Change
IPM	Integrated Pest Management
IVM	Integrated Vector Management
IUCN	World Conservation Union
GEF	Global Environmental Facility
GHG Protocol	Greenhouse Gas Protocol Initiative
GMO	Genetically Modified Organism
MDB	Multilateral Development Banks
MDG	Millennium Development Goals
MEA	Multilateral Environmental Agreement
MFI	Multilateral Financial Institution
MIF	Multilateral Investment Fund
NGO	Nongovernmental Organization
OD	Country Division
OECD	Organization for Economic Co-operation and Development
PBL	Policy-based Loan
PCD	Project Concept Document
PCR	Project Completion Report
PMP	Pest Management Plan
POP	Persistent Organic Pollutant
PPAH	Pollution Prevention and Abatement Handbook
PPMR	Project Performance Monitoring Report
PRI	Private Sector Department
SCA	Socio-cultural Analysis
SDS	Sustainable Development Department

SDS/ENV	Environment Division, Sustainable Development Department
SEA	Strategic Environmental Assessment
SEP	Social Entrepreneurship Program
SME	Small and Medium enterprise
SSF	Safeguard Screening Form
SWAps	Sector Wide Approaches
TC	Technical Cooperation
TOR	Terms of Reference
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WHO	World Health Organization
WRI	World Resources Institute
WTP	World Travel Partners



# Part A: Environmental Mainstreaming Directives A.1 to A.7

## ***POLICY DIRECTIVE A.1***

### ***Mainstreaming Environment in Country Programming and Strategies***

***As part of its programming process, the Bank will undertake country analytical work to identify the main potential environmental opportunities and risks associated with key areas of social and economic development, assess the state of enabling conditions for environmental management, and establish a set of strategic priorities for Bank action, if any. In particular, this country analytical work will be reflected in the development of Country Strategy Papers and will inform the programming process. Private sector development strategies and diagnosis may contribute to and to be part of this strategic and programmatic phase. Also, cross-sector dialogue with government, private sector, and other relevant interested parties should be an integral part of this process.***

Country-level environmental analysis will be a principal tool to generate relevant information and to support the development of programming documents. This country-level environmental analysis should be strategic in nature and focused on targeted sectors or areas that are likely to be highly relevant in the overall Bank's engagement with the country. In this context, this analytical work will consider relevant aspects such as: (i) the identification and analysis of environmental priority issues and opportunities across sectors, including their links to social and economic drivers, and poverty reduction objectives, as well as their regional and global implications; (ii) the state of environmental governance (e.g., level of institutional development, civil society participation, access to information, adequacy of the legal, policy, and regulatory framework, the level of enforcement and compliance with environmental standards, and public sector capacity for environmental management); (iii) past and on-going actions of the Bank and other multilateral financial institutions (MFIs) and agencies; (iv) the identification of strategic priorities for Bank action, including opportunities and challenges for public and private sector financing; and (v) relevant environmental performance and trend indicators.

The Bank will discuss with the borrowing member country strategic objectives and possible actions to address key environmental and related social issues in a cross-sectoral manner. Relevant programming documents should reflect the agreements achieved between the Bank and the Government resulting from the programming process. Policy Directives A.2 through A.6 follow from the required analytical and strategic work stated in this Directive.

## **PROCEDURES AND IMPLEMENTATION**

### **Country Analytical Work/Country-level Environmental Analysis**

The intent of carrying out a country analytical work is to enrich and enhance the Bank's engagement with borrowing countries in the context of policy dialogues, country strategy development and programming processes. From an environ-

mental perspective, this analytical work should be designed to mainstream and upstream environmental issues early on. The key elements of a successful country-analytical work are the following:

- ***Relevance.*** The country analytical work should be fully relevant and linked to the context that shapes the overall Bank-country dialogue/engagement, by focusing its attention on mainstreaming and upstreaming environ-

mental issues on priority drivers for Bank action.

- *Flexibility.* The country analytical work should be flexible in terms of tailoring its analysis to the particular needs and context of the country.
- *Strategic.* The country analytical work should center on the big picture and strategic outcomes, to provide a blueprint or strategic framework for Bank action in any given country.
- *Process oriented.* The final document reflecting the country analytical work should not be the end in itself. This work should also emphasize the process of policy dialogue, raising awareness, and fostering debate about pressing environmental issues and priorities.

### Expected Outcomes

The expected outcomes of a successful implementation of Directive A.1 includes:

- Enhanced process of policy dialogue with countries and improved cross-sectoral dialogue on environmental issues;
- Improved leverage and opportunities for IDB financing (environmental and nonenvironmental);
- Improved opportunities to manage environmental risks upstream;
- Opportunity for addressing the use of country systems early in the process of country strategy development;
- Enhanced donor coordination;
- A blueprint for IDB work toward short- to medium-term environmental priorities; and
- A definition of expected performance indicators.

### Responsibilities

The responsibility for carrying out a country environmental analytical work or CEA rests with the Environment and Natural Resources Management Divisions (ENs) in the Regional Operations Departments. The EN teams assigned to carry out the country analytical work will work in close coordination with the respective Country Division and Country Office (COF).

- *The role of governments.* The country analytical work is a tool for the Bank to enhance its dialogue with the countries. Thus, its principal function is to support the Bank's programming and strategic framework. In this context, analytical work should take into consideration government's environmental strategies and priorities. Likewise, it is desirable to properly inform and consult government authorities on the country analytical work process as they are essential partners of this process.
- *Responsibilities of the Country Division.* In addition to assisting the preparation of the TOR for the country analytical work, and accompanying the process itself (for example, by participating in the in-country workshop and reviewing the reports), it is the responsibility of the respective Country Divisions to take into account the relevant results of the country analytical work and to include them as appropriate in the policy dialogue paper and the country strategy in such a manner that the spirit of this directive, namely the mainstreaming of the environment in country programming and strategies, is met
- *Responsibilities of the Country Office.* Country Offices, besides assisting the preparation of the TORs for the country analytical work and accompanying the process, should take a lead role in supporting the public consultation process facilitating the access of the consultants to all relevant stakeholders (government officials, civil society representatives, etc.), as well as in the monitoring of agreed environmental performance indicators.

- *The role of the Bank's Private Sector Department.* The objective of upstreaming and mainstreaming environmental issues includes considerations of both public and private sector initiatives. Therefore, it will be important that country analytical work take a broad view of public and private sectors challenges and opportunities. The Bank's Private Sector Department (PRI) and the Multilateral Investment Fund (MIF) should be encouraged to participate, either as team members, peer reviewers or as members of the Management Review Committee (CRG). In addition, PRI and MIF should support the country analytical work team with relevant information regarding their sector development strategies, diagnosis and on-going initiatives.
- *The role of Central Departments.* SDS, DEV and other central departments will contribute to country analytical work processes according to their functions. In particular, this contribution may include: (i) coordination and information sharing on methodologies and lessons learned with other MDBs and donors; (ii) preparation of good practices, guidance documents, and guideline updates; (iii) training; (iv) incorporation of findings into Bank-wide risk management frameworks; and (v) information management for the Bank's Sustainability Report and other Bank's official reporting requirements. As requested, staff from central departments may participate, either as team members or peer reviewers. Central departments will also be members of the CRG.

**Links with Environmental Safeguard Directives (Section B of the Policy):**

Section B of the Policy deals with environmental safeguards that are applied to specific operations. The country analytical work can provide valuable upstream information for safeguard requirements in cases where the Bank pipeline may include operations such as those described in A.6 and/or operations that may rely on the use of country systems, such as in the case of SAWPs and CCLIPs. In these cases, the country analytical work can provide initial assessments of relevant institutional capacities and needs to facilitate compli-

ance with the Bank's required environmental safeguards.

**Coordination with Other Donors**

It is strongly recommended that country analytical work concept notes are discussed and shared with relevant MDBs and donors to enhance synergies and cooperation.

**Consultations and In-country Workshop**

In general, the process of country analytical work development is expected to include consultation events in the country as needed during the preparation processes. The process should actively seek to foster the dialogue between environmental authorities with finance ministers and other economic sector authorities and groups, as part of the mainstreaming effort. The country analytical work concept note should specify the nature and level of consultation that will be carried out.

**Recommended Tool for Country Analytical Work**

There is no single prescription for doing country analytical work. However, the current international practice favors adopting the principles of country environmental analysis (CEAs), as a recommended practice. CEA is a generic term being adopted by MDBs and are meant to be strategic-level analysis focusing on environmental priority-setting to guide effective mainstreaming within key areas of economic and social development, as well as improvements in relevant areas of environmental management. In these guidelines, CEAs will be interpreted in its generic context for country-level analytical work to fulfill the mandate of Directive A1 of the Policy.

**Country Environmental Analysis**

*Scope of CEAs.* CEAs may vary in scope depending on the focus and direction that the Bank may want to take in its overall country strategy, given that the CEA is an input to the process of developing a Bank's country strategy. In this context, the CEA should address the relevant aspects listed in Directive A1 of the Policy. Depending on the nature and the context of the analysis, CEAs can

take the form of rapid assessments with very focused targets, or full-blown CEAs with elaborated analysis and consultations.

*Programming CEAs.* CEAs should be programmed and carried out well in advance of country strategy development to support the initial phases of policy dialogues with governments and to allow relevant consultations with interested parties, which may include representatives of the private sector, NGOs, and donor community.

*The CEA's Terms of Reference and/or Concept Note.* The CEA team, in consultation with the Country Division, should produce at the earliest stage possible the draft terms of reference and/or concept note for the CEA, which will include the methodology, scope, process, and expected outcomes. In determining the scope of a country environmental analysis, the CEA team will review and use available information from the country and other agencies, and decide what form of additional analysis is needed, taking into consideration the Bank's activities in the country. A CRG for the CEA terms of reference or concept note may be undertaken to receive feedback and promote participation from different Divisions and Departments of the Bank. It is advisable, that these documents be reviewed and agreed for its strategic direction early on, before procuring the services of consulting firms and individual experts.

*The Final CEA Document.* Following agreements on the terms of reference or concept note, it is recommended that the CEA team with the support of consultants and technical assistance, as needed, undertake in the country a process of analytical work, policy dialogues and consultations, as needed. At the end of that process, the responsible Division for the CEA and the team will produce agreements on the draft document reflecting the findings and recommendations of the country analytical work, and will convene a CRG which will provide appropriate recommendations about next steps, in terms of incorporating main findings into country strategy, programming processes, and country-risk management framework as appropriate.

*Publication of CEA.* The CEAs are not required to be published. However, at the discretion of the

management of the Regional Operations Departments, the results of the CEAs and relevant technical material may be published and be publicly available in IDB official web sites. The CRG may determine if, and how, the CEA reports will be made publicly available.

*Updating CEAs.* CEAs are expected to be updated with every new country strategy. However, at the discretion of the EN and OD chiefs, relevant updates or targeted analytical work may be carried out to provide timely response to country needs.

*Sources of Information for CEAs.* An implementation handbook of this Policy will provide links and references regarding best practices, guidelines, model terms of reference, and cases studies to support CEAs and other relevant country analytical work.

*Links with Other Policy Directives (Section A of the Policy).* The CEA team should take into account the opportunity to use the CEA to fulfill the implementation of Policy Directives A.2, A.3, A.4, A.5, and A.6. While the CEA may not be the only tool for this purpose, the process and analytical work of the CEA may contribute significantly in this regard (more detail is given in the guidelines for each directive):

- *A2, Supporting environmental and natural resources operations:* The CEA can identify opportunities for greater IDB investments in environmental and natural resources operations, in any of the areas described in the policy. This includes, fostering opportunities for GEF and leveraging other available lending and nonlending instruments.
- *A3, Mainstreaming environment across sectors:* The CEA, as a mainstreaming tool, can help to identify and propose strategic lines of actions to mainstream environmental considerations in priority sectors and drivers, such as infrastructure, tourism, energy, agriculture; promote the use of new financing instruments, such as policy-based loans, SWAPs or conditional lines of credit; and recommend activities related to the four pillars of the Bank's Institutional Strategy (modernization of the

State, competitiveness, social development and regional integration).

- *A4, Supporting regional initiatives and international agreements:* The CEA can help to identify the main regional initiatives and international agreements, as well as their status of implementation. Appropriate lines of action can be recommended, as well as programming opportunities for GEF, the Regional Public Goods Fund and other lending and nonlending instruments. A recommended section or annex in every CEA should include a table describing/reporting the key international agreements and the country's needs for meeting their obligations.
- *A5, Tracking environmental sustainability indicators:* The CEA requires reporting on

key relevant indicators, particularly those that define the Bank's environmental strategy or engagement with the country. This should be a required section or annex in every CEA. Subsequent CEAs will reflect changes in these indicators.

- *A6, Assessing environmental risks and opportunities:* The CEA is designed to identify potential risks in the context of sensitive sectors and/or IDB portfolio and to begin addressing issues related to country systems. If the Bank is likely to have a substantive engagement in sectors that may be environmentally sensitive, then the CEA for that particular country should require a focused analysis on the issues and enabling conditions that will ensure a sound environmental approach.

## ***POLICY DIRECTIVE A.2***

### **Supporting Environmental and Natural Resources Management Operations**

The Bank will proactively support borrowing member countries and clients in identifying and financing operations designed specifically to: (i) enhance environmental governance, policy development and institutional capacity building; (ii) reverse environmental deterioration; and (iii) promote the conservation and sustainable use of natural resources and ecological services. Such operations may include, without limitation, activities that: enhance environmental legislation and regulations, strengthen institutions, and promote environmental training and education, and environmental governance at all levels. Also, on the basis of strategic priorities agreed with the borrower, Bank operations may include targeted investments to restore environmental quality; promote renewable energy and the efficient and clean use of energy resources; improve and restore urban environmental quality, including solid waste management; contribute to the sustainable management of land- and marine-based natural resources; protect biodiversity and fragile ecological systems, including the sustainable financing and management of protected areas; protect cultural sites; combat desertification; reverse soil, water and air degradation; improve management of water resources; and promote carbon sequestration activities and the reduction and control of greenhouse gas emissions. In this context, the Bank will support countries to develop innovative financial and market based instruments to enhance the value of environmental goods and services and to facilitate sustainable flows of financial resources earmarked for the conservation and management of these goods and services. These operations must be guided by principles and criteria of environmental sustainability, as well as consider financial, socioeconomic and institutional viability to maximize long-term development impacts.

## **PROCEDURES AND IMPLEMENTATION**

### **Environment as Part of the Core Mission of the Bank**

This Directive restates the mandates of the Eighth Replenishment, which identifies environment as priority area of Bank's work, calling for a proactive Bank engagement to support financing and technical assistance to borrowing countries and clients, as part of a sustainable development agenda. The Bank's Institutional Strategy and the Bank's Environment Strategy reinforce this commitment.

### **Response to Country's Priorities, Needs, and Demands**

This Directive lists a number of possible areas, without limitations, in which the Bank can make significant contributions in terms of supporting environmental financing and technical assistance. The particular areas of support will depend on the demand stated by borrower countries and clients and on the context of strategic priorities agreed

with the Bank. To implement this Directive the Bank has a number of tools, which include:

- *Country programming and country strategy development.* Country programming activities and country strategies are expected to identify and seek opportunities for overall Bank support, including financing environmental and natural resources management operations.
- *Country-level analytical work and the process described under Directive A.1.* Directive A.1 of this policy, and its guideline described above, is designed to support country programming and country strategy development to identify strategic and targeted environmental opportunities and interventions with the greatest development outcomes.
- *Sector-specific work, including sector strategies and action plans.* The Bank may utilize sector-level strategies and/or sector analysis and guidelines to target specific areas of interest and enhance its work and level of financing in particular sectors. For instance, strategies and/or action plans for water resources,

biodiversity conservation, renewable energy, climate change, urban pollution, coastal and marine resources, sustainable tourism, among others can be developed to steer Bank activities in each of those areas, and to identify best practices and effective management tools.

- *Financial tools.* The Bank can facilitate access to lending and nonlending instruments for environmental financing, such as:
  - Public sector loans, to finance all areas of public investments in environment and natural resources management.
  - Global Environmental Facility (GEF), to support investments with global environmental benefits.
  - Regional Public Goods Fund, to support technical assistance and capacity building to generate and strengthen regional public goods.
  - Multilateral Investment Fund (MIF), to support technical assistance for small- and medium-size private initiatives.

- Private sector financing (PRI), to finance private sector initiatives.
- Nonreimbursable technical cooperation (trust funds), to support technical assistance, capacity building, and innovation.
- Cofinancing and partnerships with donors, to leverage greater financing and synergies.

- *Nonfinancial products.* The Bank will continue to produce and promote best practices, technical studies, policy dialogues and other instruments to increase knowledge, innovations, and dissemination of information for enhancing environmental sustainability

### **Tracking Bank's Environmental Investments and Activities.**

The Bank will continue to track the scope, level, and performance of its environmental lending and technical assistance through its existent instruments for corporate reporting, including the Bank's official annual reports and the Sustainability Report.

**POLICY DIRECTIVE A.3**  
**Mainstreaming Environment Across Sectors**

*The Bank, as requested by borrowing member countries, will finance environmental and natural resources management components or activities across different sectors, with loans and technical assistance, beyond required environmental mitigation actions to increase value added and long-term sustainability.* The Bank will seek to enhance environmental sustainability through appropriate public and private operations across sectors, such as agriculture, tourism, social development, urban development, transportation and road infrastructure, energy, and agriculture, among others. Technical assistance and innovative financing options will be discussed and agreed with the borrower as appropriate. Where such components or activities for environmental enhancement are included, relevant indicators should be added to the operation's design for measuring the project's contribution toward agreed environmental sustainability outcomes.

## **PROCEDURES AND IMPLEMENTATION**

### **Environment as a Cross-sectoral Dimension**

The thrust of the Bank's Environment Strategy (GN-2208-4) is that environment must be seen not as a sector, but as a cross-sectoral dimension that requires mainstreaming environmental considerations in all areas of economic and social development. The Bank's Environment Strategy develops the concept of mainstreaming along the four pillars of the Bank's Institutional Strategy: modernization of the State, competitiveness, social development, and regional integration.

### **Environmental Mainstreaming vis-à-vis Safeguard Application and Mitigation Measures**

Bank investment operations often address environmental issues in the context of mitigating damages and applying minimum safeguard requirements (i.e., "do no harm" approach), as required in Section B of this Policy. This is often reflected as a cost to the project in the sense that damage prevention and mitigation costs are internalized in the operation. Environmental mainstreaming in the context of this Policy Directive should be understood as maximizing environmental benefits and opportunities from an integrated approach to enhance development outcomes ("do good" approach). For example, investments in sectors such as tourism, roads, energy, and agriculture can satisfy environmental

safeguard requirements by mitigating direct, indirect and cumulative impacts of the infrastructure components. However, in all of these sectors, benefits may not be maximized if other enabling conditions and associated development opportunities are not considered, such as enhancing the value of scenic attributes, protecting the services of key ecosystems, developing markets for environmental goods and services (e.g., carbon credits), increasing opportunities for energy efficiency and renewable energy, promoting cleaner production and waste reduction, ensuring access to clean water, facilitating environmental certification processes, and supporting transparent regulations, among others. In essence, the competitiveness of the countries in any given sector may be increased by integrating and mainstreaming broad environmental considerations.

### **Tools and Processes for Implementing the Directive**

Implementation of this Directive may be achieved through the following considerations:

- *Addressing environmental issues upstream.* The purpose of Directive A1 of this Policy and its guidelines is to identify and define early on, in the context of key economic drivers, the relevant environmental priorities that will contribute to enhance development benefits. At this level, it may be possible to identify, for instance, how the competitive-



ness or social development agenda of a country may benefit from environmental considerations, and how that may be internalized in Bank investments across sectors. Therefore, implementing Directive A.1 is a key first step for environmental mainstreaming.

- *Developing sector-level strategies and action plans.* Bank sector strategies and action plans, for instance in areas such as tourism, private sector development, rural development, urban development and energy, offer the opportunity to mainstream environmental and sustainability considerations in an strategic manner.
- *Mainstreaming through program project design.* At the program/project design level, project teams may discuss with the borrower all feasible alternatives to increase the benefits and the sustainability outcomes of their operation, which can be addressed by incorporating specific environmental components and activities into the design of the operations. This must be done in a context of clear ownership and commitments on the part of the borrower. Project teams may seek co-financing with other interested agencies; structure public and private partnerships; and leverage nonreimbursable technical cooperation, including access to GEF resources to tap regional and global benefits.
- *Linking country-level environmental analysis with Strategic Environmental Assessments (SEAs).* While country-level analytical work, such as CEAs, provide an eagle's view of issues and opportunities at the country level, SEAs offer a sector/program focus

to address environmental sustainability. See Directive B.3 about the use and applications of SEAs. In some cases, particularly when the Bank's country strategy has identified programmatic areas for Bank action, SEAs can provide an adequate complement to focus environmental mainstreaming at the sector level.

- *Best practices, guidance documents, and training.* Implementation of this Directive requires the Bank to continue preparing best practices, guidance documents, and training as needed.
- *Built-in incentives for task managers and project teams.* Task managers and project teams could be recognized for their effort to integrate environmental sustainability, beyond the application of minimum safeguard requirements.

### **Tracking Environmental Mainstreaming**

Components and activities for environmental mainstreaming in nonenvironmental operations (in addition to mitigation costs of infrastructure components) should be clearly identified and budgeted in project documents. Also, indicators regarding these components and activities should be defined in the logical/results framework and monitored throughout project execution. The Bank's Sustainability Report will track the level and scope of investments in environmental mainstreaming. The Sustainability Report will also feature best practices in this regard.

**POLICY DIRECTIVE A.4**  
**Supporting Regional Initiatives and International Agreements**

*The Bank will support regional and transboundary environmental and natural resources management initiatives, including those addressing global and regional environmental public goods and services. Also, the Bank will assist borrowing countries, at their request, to meet their agreed national obligations under ratified international environmental agreements.* The Bank may support, *inter alia*: investments for managing international watersheds, regional and transboundary biological corridors and protected areas, and shared coastal and marine resources, among others; national assessments and reporting requirements, such as those defined in the Kyoto Protocol; and compliance with commitments under regional agreements to strengthen environmental protection. The Bank will provide, as appropriate, technical and financial support through regional technical cooperation activities on specific issues, particularly those associated with local or international investment efforts, as well as national-level lending and capacity development activities. The Bank will work with bilateral partnerships and multilateral funding sources, including the Global Environment Facility (GEF), in supporting the implementation of this Directive.

## **PROCEDURES AND IMPLEMENTATION**

### **Identifying Needs for Support**

During pre-programming and programming activities, both at the country and regional level, and in the context of implementing Policy Directive A.1, as described above, the Bank should identify priority needs that may require Bank support and financing, if agreed with the borrower. As appropriate, following Policy Directives A.2 and A.3, the Bank will provide guidance and facilitate, if requested, access to lending and nonlending Bank instruments.

### **Available Financial and Nonfinancial Tools**

As an executing agency of the Global Environmental Facility (GEF), the Bank, through its Regional Operations Departments and with support from SDS, will actively seek opportunities to support countries on matters of global environmental issues. In addition, other financial tools such as the Fund for Regional Public Goods managed by INT will be promoted to support environmental regional initiatives that meet regional public goods criteria.

### **International Environmental Agreements**

At the international level, over the past 20 years there have been a number of multilateral interna-

tional environmental agreements (MEAs, see Annex I) for the protection of the environment. Most countries of the region have been active participants and signatories of these agreements, which include, for instance:

- The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- The Vienna Convention for the Protection of the Ozone Layer;
- The Montreal Protocol;
- Convention on Biological Diversity;
- The Cartagena Protocol;
- The Kyoto Protocol;
- The Rio Declaration;
- The United Nations Framework Convention on Climate Change (UNFCCC); and
- Rotterdam Convention on hazardous chemical substances and pesticides.

**POLICY DIRECTIVE A.5**  
**Tracking Environmental Sustainability Indicators**

**Bank country strategies or other relevant programming documents will incorporate, as applicable, relevant indicators to track the Bank's effectiveness in pursuing environmental goals as well as general country-level environmental performance.** In the context of the country-level environmental analysis, relevant environmental information on selected trend indicators, in coordination or harmonized with specialized national and international agencies will be collected and updated in subsequent programming documents and/or country strategies, when applicable. Particular attention should be given to tracking performance on the state of environmental governance, institutional and policy development, the conditions of key natural resources and ecosystems, and the status of internationally agreed targets and goals.

## **PROCEDURES AND IMPLEMENTATION**

### **The Need to Address Performance**

The principles of the Johannesburg Summit, as well as the agreements at the Monterrey Conference (2002) and the 2000 Millennium Summit and the Millennium Development Goals (MDGs), seek effective performance-based development and measurable goals and targets over time. The IDB and other major regional development banks have jointly declared their commitment and support to these principles. This policy directive is aligned with these commitments.

### **The Importance of Country Analytical Work**

Relevant country-level environmental indicators and trends should be developed and reported in the context of country analytical work, as described in the procedures for implementing Directive A1 and in the context of country-level environmental analysis. The indicators selected should be those that will allow the Bank and the country to measure changes over time in areas of significant importance for the country, as well as in areas in which the Bank may have a significant contribution through its lending portfolio and pipeline. The focus should be on selected key indicators that have a significant relationship to socio-economic conditions and drivers. To the extent possible, the economic dimension of these indicators should be highlighted, such as addressing the cost of environmental degradation (e.g., health and losses in income).

### **Priority Indicators under the Environment Strategy**

Following the Bank's Environment Strategy, particular attention should be given to assess in-country environmental capacities and governance (e.g., level of institutional development, civil society participation, access to information, adequacy of the legal and policy framework, enforcement and compliance with environmental standards, and public sector capacity for environmental management), as well as progress towards achieving environmental MDG targets.

### **Addressing the Millennium Development Goals**

The Environment Strategy also calls for the Bank to assess and consider ways to support countries in fulfilling their commitments regarding the MDGs. In this regard, references should be made as to how each country is advancing to meeting the MDGs in three categories involving environmental indicators: (i) *reversing the loss, waste, and degradation of natural resources*, for which goals and indicators must be specified for forest cover, biodiversity protection, energy efficiency, and CO<sub>2</sub> emission reductions; (ii) *improving access to sources of safe and clean water*, with specific targets to halve by 2015 the proportion of people without sustainable access to safe drinking water; and (iii) *improving living conditions in marginal areas*, with targets and indicators to improve the lives of slum dwellers, improve sanitation and increase access to secure tenure.

**Developing Bank Capacities for Measuring and Tracking Indicators.**

The Bank should ensure capacity and collaboration among central operational departments to produce methodological notes for developing ap-

propriate indicators and baseline information. The Bank should also work in close coordination with specialized agencies such as UNEP, ECLAC, World Bank, OECD and others to seek harmonization and complementary efforts toward country-level environmental performance.

**POLICY DIRECTIVE A.6**  
**Assessing Environmental Risks and Opportunities**

*The Bank will seek to identify early on potentially highly sensitive programs/projects or sectors considered for possible Bank financing in its operational programming documents, including country strategies, in order to plan for possible courses of action to manage risk.* The Bank will take into account the country environmental analysis as described in Directive A.1, or other assessments from environmental due-diligence processes at the stage of project/program identification, to assess early on potentially significant environmental risks and opportunities. The Bank may adopt a risk management approach to anticipate precautionary measures, and, if needed, to facilitate capacity building and other enabling conditions for proper environmental management, such as enhancing policy dialogue with the borrower, leveraging public-private partnerships, harmonizing procedures among co-financing partners and engaging civil society participation. This applies particularly when the Bank's proposed portfolio is likely to include public and private sector operations in economic sectors or geographical areas that are potentially environmentally and socially sensitive. Once operations have been formally incorporated into the Bank's pipeline for conceptualization and design, the environmental safeguards set out in this policy, as presented below, will apply as appropriate.

## PROCEDURES AND IMPLEMENTATION

### The Context of Environmental Risks at the Country Level.

An important component of a risk management framework is to identify and address the environmental risks that could undermine the Bank's objective to achieve its development goals and targets, as stated in an agreed country strategy. Identifying potentially high-risk sectors early on, as well as specific proposed programs and projects, will allow the Bank to make timely and adequate provisions to minimize risks, enhance benefits, and assure broad social and political acceptability. In principle, the following sources of risk can have significant implications in the Bank's country strategies:

- *Sector risks.* The Bank may be asked to engage in programs and sectors that can carry significant environmental and social risk. This applies particularly to public and private sector operations that involve potentially controversial environmental or natural resource management issues, such as: (i) large infrastructure programs; (ii) investments on extractive use of natural resources (hydrocarbons, gas, and mining); (iii) programs with regional and transboundary im-

plications; and (iv) programs that may affect critical cultural sites or internationally recognized fragile or unique ecosystems.

- *Policy risks.* The policy framework under which the Bank may need to operate may be inadequate or sensitive from an environmental perspective (e.g., subsidies that fuel resource exploitation; ineffective land, forestry and water legislation).
- *Governance risks.* The governance framework for environmental management may be characterized by a deficient track record, low capacities, lack of enforcement and compliance, corruption, and lack of social acceptability to proposed government programs for possible IDB financing.
- *Vulnerability to natural hazards/climate change.* In some countries or regions, their vulnerability to natural disasters may be fueled by environment-related issues.

### The Importance of Upstream Country-level Analytical Work

As stated under Directive A.1, one of the objectives of country-level analytical work, such as CEAs, and its link to country strategy and pro-

programming processes is to identify and alert about potential environmental challenges and opportunities linked to the main economic drivers and sectors in the country. The risk section of country strategies and programming documents should specify if there are significant environmental risks associated to sectors of potential Bank interventions in the country. While this process normally applies to public sector operations, which follow a structured process of country-programming exercise agreed with governments, for private sector operations, the implementation of this directive must be done as part of due diligence processes in force in the private sector for specific operations, and through their inputs to the CEA process as described in Directive A.1.

#### **Assessment of the Use of In-country Systems**

The use of in-country systems is becoming an important part of the Bank's approach to strengthen its country focus. Depending on the characteristics of the sectors and programs for IDB financing in any given country, there may be environmental risks associated to the use of country systems. While country-level environmental analysis under Directive A.1 can partially cover some of the analysis needed, Directive B.6 under environmental safeguards provides guidelines to address country systems from an environmental perspective. Please refer to Directive B.16 for more details.

#### **Bank's Risk Management Framework**

The Bank is in the process of developing an integrated Risk Management Framework which

will provide an overall approach to manage all risks, including environmental risks at the country level. In this context, country development risk is referred as the risk of the country not meeting its development objectives *in the sectors of Bank involvement*. These risks will be identified and addressed in country strategies and programming documents according to their specific guidelines. The information gathered with country analytical work such CEAs in Directive A.1, country system assessments under Directive B.16, and Strategic Environmental Assessments under Directive B.5 are expected to provide valuable inputs from an environmental perspective to any proposed country/sector level risk management framework.

#### **Country-level Risk Management Actions**

As part of the Risk Management Framework to be adopted by the Bank, the management of country-level environmental risks may be addressed by means of various actions. While specific actions will depend upon the framework adopted and country specific conditions, potential actions may include: (i) enhancing policy dialogues with the borrower; (ii) financing technical cooperation for capacity building and information management; and (iii) working to harmonize environmental procedures and safeguards. Once an operation is formally incorporated into the Bank's pipeline for conceptualization and design, the environmental safeguards set out in this policy must be complied with.

**POLICY DIRECTIVE A.7**  
**Promoting Corporate Environmental Responsibility**

*With respect to its own administrative activities and facilities in Headquarters and Country Offices, the Bank will promote corporate environmental responsibility actions, such as improving efficiency in energy and water use: improving practices for reducing, reusing and recycling waste and materials; minimizing the consumption and emissions of hazardous substances; and providing a healthy and safe working environment.* Where possible, common standards for resource intensity and efficiency will be used, such as those under development by the Global Reporting Initiative (GRI). Adjustments to relevant administrative manuals will reflect the principles of corporate environmental responsibility, in line with practices followed by other MFIs.

## PROCEDURES AND IMPLEMENTATION

### Scope of this Guideline

This guideline applies to all IDB places of work. The place of work may be a building, an installation or an outdoor area. The guidelines also apply to temporary places of work. IDB should also encourage that suppliers, service providers, contractors, and subcontractors are required to follow comparable practices.

### Greening Task Force

Issues relating to corporate environmental responsibility should be referred to the Bank's Greening Task Force, an inter-departmental task force charged with examining the feasibility, cost effectiveness and quality of the greening improvements at Headquarters. The Task Force will suggest timely updates to relevant administrative manuals and policies, in particular the corporate procurement policy of the IDB, to reflect the standards upheld by other MFIs in including corporate environmental responsibility in procurement decisions related to headquarters and country offices. In this regard, the Bank may adopt practices of corporate environmental responsibility in areas such as green procurement, recycling, waste reduction, and energy efficiency.

- *Recycling.* This refers to, but is not limited to, the recycling and reuse of paper products (including cardboard), plastic products (including plastic cups), glass (including light

bulbs), printer toner cartridges, photocopy machine toner cartridges, and aluminum. It also refers to the recycling and reuse of office furniture and fittings. The IDB will improve staff education on recycling responsibilities at work (see Greening Task Force above).

- *Waste reduction.* Waste reduction or minimization refers to measures or techniques that reduce the amount of waste generated by building facilities; actions that reduce waste, such as packaging (cafeteria), double-sided copying, recycling, as well as other efforts to reduce the amount of waste going into the waste stream.
- *Energy efficiency.* It is commonly understood that an increase in energy efficiency is when either energy inputs are reduced for a given level of service, or there are increased or enhanced services for a given amount of energy inputs. Energy and greening measures analyzed include providing additional occupant control of indoor environment, chiller replacement, potential day lighting strategies, vestibule installation, ozone water treatment, reflective roof coatings, and roof replacement. The Bank will continue to advance in these areas where it is cost-effective to do so.
- *Emission reductions.* Following the 2005 study commissioned by the Bank on associated emissions from Headquarters including carbon dioxide, nitrogen oxide and other

greenhouse gas emissions, the Bank will seek methods to reduce these emissions. Where emissions from energy usage and other sources cannot be reduced, the IDB may consider options for offsetting these emissions. Where possible, the IDB should refer to the World Resources Institute (WRI) ([http://pubs.wri.org/pubs\\_description.cfm?PubID=3756](http://pubs.wri.org/pubs_description.cfm?PubID=3756)) for an office guide which provides customizable practical calculation tools to measure and reduce CO<sub>2</sub> emissions (heating, transportation, electricity, business travel and commuting). The tool is consistent with the WRI's GHG Protocol Corporate Accounting and Reporting Standard.

- *Carbon equivalent emissions.* With regards to carbon equivalent emissions from business travel, the IDB will work with World

Travel Partners (WTP) to recommend that the IDB partners follow comparable carbon offset practices.

### **Reporting Requirements**

Advances in corporate environmental responsibility should be reported in the IDB Sustainability Review/Report on an annual basis. The IDB will remain up to date with developments of the new Global Reporting Initiative Guidelines and other such common standards and indicators, such as UNEP FI, applying them to the IDB reporting schedule as necessary. The IDB will also work with other multilateral financial institutions on the creation of common standards and indicators for reporting.



# Part B: Environmental Safeguards

## Directives B.1 to B.17

### Application of Environmental and Safeguards Compliance Policy Directives in the Context of the Project Cycle

<b>Design / Screening Phase</b>	<ol style="list-style-type: none"> <li>1. Directive B.3. To screen and classify operations (assign categories) on the basis of their potential environmental impacts.</li> <li>2. Directive B.4. To identify additional risks factors, in addition to impacts identified under B.3.</li> <li>3. Directive B.5. To determine Environmental Assessment Requirements for Operations, according to their classification and level of risk.</li> <li>4. Directive B.16. To consider requirements for the use of in-country systems, if this is to be proposed for the operation.</li> </ol>
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<b>Project Preparation Phase</b>	<ol style="list-style-type: none"> <li>1. Directive B.1. To verify compliance with IDB policies.</li> <li>2. Directive B.2. To verify compliance with country laws.</li> <li>3. Directive B.4. To identify additional risks factors, in addition to the impacts identified under B.3.</li> <li>4. Directive B.6. Applies if there are consultation requirements.</li> <li>5. Directive B.8. Applies if there are transboundary impacts.</li> <li>6. Directive B.9. Applies if there are impacts on natural habitats and cultural sites.</li> <li>7. Directive B.10. Applies if there are issues associated with hazardous materials.</li> <li>8. Directive B.11. Applies when addressing pollution prevention and mitigation.</li> <li>9. Directive B.12. Applies if proposed investments are already under construction.</li> <li>10. Directive B.13. Applies if proposed operation belongs to the type of noninvestment loans or flexible lending instruments (e.g., PBL, FIs, SWAPs, PDLs, CCLIPs).</li> <li>11. Directive B.14. Applies in the case of multiple phase and repeat loans.</li> <li>12. Directive B.15. Applies when operation is co-financed by other institutions.</li> <li>13. Directive B.16. Applies if operations rely on in-country systems.</li> <li>14. Directive B.17. Applies in the context of contractual conditions and procedures for procurement of goods and services.</li> </ol>
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<b>Project Execution Phase</b>	<ol style="list-style-type: none"><li data-bbox="342 205 1419 268">1. Directive B.7. Applies to monitoring and supervision requirements during project execution.</li><li data-bbox="342 289 1419 352">2. Directive B.17. Applies in the context of compliance with agreed contractual conditions and procedures for procurement of goods and services.</li></ol>
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**POLICY DIRECTIVE B.1**  
**Bank Policies**

The Bank will only finance operations and activities that comply with the directives of this Policy, and consistent with the relevant provisions of other Bank policies.

## **PROCEDURES AND IMPLEMENTATION**

### **Safeguard Directives**

They correspond to those identified as Directives B.2 through B.17 in this document.

### **Safeguard Compliance**

The Project Team and the borrower will agree on undertaking project-specific measures in order to satisfy Directive B.1.

### **Relevant Provisions in Other Bank Policies**

There are a number of current Bank policies that have environmental provisions. These provisions are consistent with the requirement of this Policy, and need to be considered in the context of their respective sectors or areas. The following Bank cross-sectoral policies with environmental and socially-related provisions are available at:

- The Disclosure of Information Policy (OP-102) [http://www.iadb.org/exr/pic/VII/OP\\_102.cfm?language=English](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](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](http://www.iadb.org/exr/pic/VII/OP_704.cfm)
- The Indigenous Peoples Policy <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=691261>

Several sectoral Bank policies include environmental considerations, particularly in those sectors that can generate significant impacts, or are affected by the environment. The following sectoral policies, which are mandatory, include environmental provisions:

- Public Utilities (OP-708);
- Agricultural Sector (OP-721);
- Forestry Development (OP-723);
- Fisheries Development (OP-724);
- Mining (OP-725);
- Tourism (OP-726);
- Transportation (OP-731);
- Energy (OP-733);
- Electric Energy (OP-733-1);
- Public Health (OP-742);
- Basic Environmental Sanitation (OP-745).
- Urban and Housing Development (OP-751); and
- Rural Development (OP-752).

The Bank's Sector Policies referenced above can be consulted in: [http://www.iadb.org/exr/pic/VII/sector\\_policies.cfm?language=English](http://www.iadb.org/exr/pic/VII/sector_policies.cfm?language=English)

In addition to these cross-sectoral and sectoral policies, there are specific environmental and associated social considerations identified in the *Report on the Eighth General Increase in Resources of the Inter-American Development Bank* (the Eighth Replenishment<sup>1</sup>) in section II.2.C, paragraphs 2.38 to 2.44.

<sup>1</sup> <http://www.iadb.org/exr/eight/Indexe.htm>

**POLICY DIRECTIVE B.2**  
**Country Laws And Regulations**

The Bank will also require the borrower for that operation to ensure that it is designed and carried out in compliance with environmental laws and regulations of the country where the operation is being implemented, including national obligations established under ratified Multilateral Environmental Agreements (MEAs).

In agreement with the borrower, the Bank will define appropriate measures to comply with Directives B.1 and B.2.

**DEFINITION**

**Country Environmental Laws and Regulations**

Country environmental laws and regulations, as used in this Policy, refer to applicable national as well as sub-national (e.g., state, province, department) and local (e.g., municipal, county) environmental laws and regulations, of the country where the operation is located.

**Customary Rights**

This directive includes customary rights where these rights are explicitly stated in national laws.

**Ratification**

For the purpose of the Policy, "*ratification*" means that a State has established either by ratification, acceptance, approval or accession its consent to be bound by a treaty and that the treaty has entered into effect for that country (see Vienna Convention on the Law of Treaties).

**PROCEDURES AND IMPLEMENTATION**

**Links Between Directives B.1 and B.2**

This Directive must be considered in conjunction with Directive B.1.

**Country Environmental Laws and Regulations**

*Operations Involving More Than One Country*

If an operation involves more than one country, it must comply with the applicable legal framework and environmental requirements of each individual country in their respective territory.

*Safeguard Compliance with Both Policy Directives B.1 and B.2*

The project team and the borrower will agree on undertaking project-specific measures in order to satisfy Directives B.1 (compliance with the applicable Policy Directives), and B.2 (compliance with applicable country legislation). Safeguard Directives B.3 to B.11 establish the safeguard requirements/standards that are expected from Bank-financed operations. Applying the higher standard will satisfy both the safeguard requirements of this Policy. Directives B.12 to B.17 establish policy requirements for specific Bank instruments or situations.

*Responsibilities*

As part of the screening and classification process (see Directive B.3), project teams will determine which policy safeguards appear to be triggered by the nature of the operation. In addition, project teams will review the corresponding country legislation and regulation. The project must comply

with the laws of the country in which it is located and with this Policy. The project team will ensure that the contractual documents agreed with the borrower will specify the required measures to comply with Directives B.1 and B.2.

### **Multilateral Environmental Agreements (MEAs)**

#### *General*

MEAs address issues of “global” or transboundary environmental interest. They are directed at international cooperative actions, strategies and policies related to ecosystem linkages or resource use. Some of these MEAs are used as internationally referenced standards. MEAs take numerous forms, such as conventions, treaties, protocols and declarations. The stage of implementation of MEAs varies between countries but generally the process includes signature, ratification and incorporation into national regulations.

During screening (see Directive B.3), the project team will determine whether the operation poten-

tially triggers relevant ratified MEAs, and if so, verify as part of the Bank’s analysis/due diligence that necessary measures are in place for the proposed Bank operation to comply with the specific applicable ratified national MEA obligations of the respective country. In the context of implementing Policy Directive B.5 (environmental assessment requirements), the project team will review that the Terms of Reference (TOR) for the environmental assessment or the Bank’s analysis or due diligence for the operation include a review of the operation’s compliance with the applicable MEAs.

#### *References*

Important MEAs and key agreements related to biological diversity, natural habitats, the control and prevention of pollution and other relevant topics can be found in Annex I of these guidelines, as an indicative but not exhaustive list. Normally, MEAs have a website that provides the full text of the agreement, and indicates the status of ratification by each signatory country.

**POLICY DIRECTIVE B.3**  
**Screening and Classification**

**All Bank-financed operations will be screened and classified according to their potential environmental impacts.** Screening will be carried out early in the preparation process. The screening process will consider potential negative environmental impacts whether direct, indirect, regional or cumulative in nature, including environmentally related social and cultural impacts, of the operation and of its associated facilities if relevant. Bank operations will be classified according to their potential impacts so that the appropriate environmental assessment or due diligence requirements are selected for the operation. The operation's environmental impact classification will be disclosed according to the Bank's Disclosure of Information Policy (OP-102). The Bank will periodically assess the performance of its screening and categorization procedures. The following classification will apply:

- Any operation that is likely to cause significant negative environmental and associated social impacts, or have profound implications affecting natural resources, will be classified as **Category "A."** These operations will require an environmental assessment (EA), normally an Environmental Impact Assessment (EIA) for investment operations, or other environmental assessments such as a Strategic Environmental Assessment (SEA) for programs and other financial operations that involve plans and policies. Category "A" operations are considered high safeguard risk. For some high safeguard risk operations that, in the Bank's opinion raise complex and sensitive environmental, social, or health and safety concerns, the borrower should normally establish an advisory panel of experts to provide guidance for the design and/or execution of the operation on issues relevant to the EA process, including health and safety.
- Operations that are likely to cause mostly local and short-term negative environmental and associated social impacts for which effective mitigation measures are readily available will be classified as **Category "B."** These operations will normally require an environmental and/or social analysis, according to, and focusing on, the specific issues identified in the screening process, and an environmental and social management plan (ESMP).
- Operations that are likely to cause minimal or no negative environmental and associated social impacts will be classified as **Category "C."** These operations do not require an environmental or social analysis beyond the screening and scoping analysis for determining the classification. However, where relevant, these operations will establish safeguard, or monitoring requirements.

**PROCEDURES AND IMPLEMENTATION**

**Screening**

The screening process has two objectives: (i) assist in the classification of a Bank-financed operation, on the basis of the categories identified in the Policy Directive; and (ii) assist in identifying potential environmental risks factors, as described under Directive B.4.

**Bank Operations that Require Classification**

A Bank operation, for the purpose of this Directive, includes all investment loans and technical cooperation (TCs). Noninvestment lending and flexible lending instruments, such as financial intermediation loans, global credit loans, policy-based and sector adjustment loans, are addressed under Directive B13.

### The Safeguard Screening Form (SSF)

For all applicable Bank operations, the project team will complete, when necessary in collaboration with an environmental and/or social specialist, the Safeguard Screening Form in order to identify potential environmental and environmentally related sociocultural impacts and risks of the operation. The Safeguard Screening Form includes a checklist of environmental and social issues to assist the project team in classifying the operation. Based on the SSF, the project team will propose, as early as possible in the project cycle, an environmental impact Category “A,” “B” or “C” for the operation. If the team is uncertain of the project’s category at the time of initial screening, due to lack of information to complete the SSF, then it should gather the information during the preparation of the PCD or equivalent document (MIF Abstract, TC Profile, etc.).

### Associated Facilities

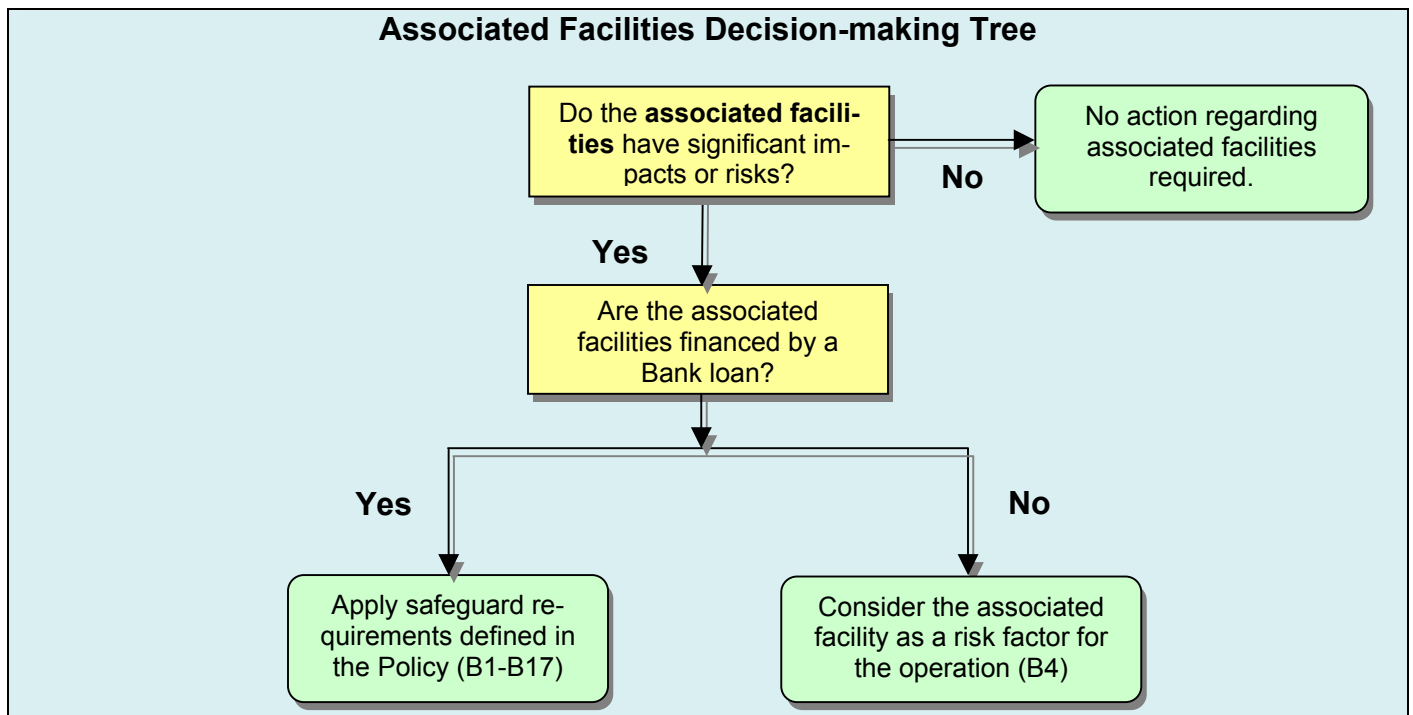
As defined in the Policy, associated facilities refer to new or additional works and/or infrastructure, irrespective of the source of financing, essential for a Bank-financed project to function, such as: new/additional access roads, railways, power

lines, pipelines required to be built for the project; new/additional construction camps or permanent housing for project workers; new/additional power plants required for the project; new/additional project effluent treatment facilities, new/additional warehouses and marine terminals built to handle project goods.

The team determines through the screening process whether the project has associated facilities. If there are, the team analyses whether the associated facilities may generate potentially significant negative environmental impacts. If such impacts are identified and the associated facilities are financed by the Bank, then the safeguard requirement as defined in the Policy apply to the associated facilities. Project teams will address the environmental assessment requirements for associated facilities as part of the EA strategy for the project. If the associated facilities are not financed by the Bank, then these become risk factors. Project teams will address them under Directive B.4.

### Technical Cooperations

For the most part they involve finance studies and technical assistance and they are likely to fall under Category C operations, as described below.



When TCs are linked to sensitive or high-risk sectors or operations, the risk will be addressed in the context of Directive B.4.

### **Assigning Safeguard Categories**

Safeguard categorization is determined according to the following considerations:

- *Category A:* An operation will be classified as Category “A” when it is likely to cause significant negative environmental and associated social and cultural impacts whether direct, indirect, regional or cumulative. This concept applies also to the operation’s associated facility. Negative impacts are considered significant when: (i) they extend over a large geographic area; (ii) they are permanent or occur for an extended period of time; and (iii) they are of high intensity and/or high magnitude. An absolute definition of significant impact is not possible, as the significance of an activity may vary with the setting. The determination of whether a project may have a significant impact on the environment requires professional knowledge and judgment. This should be based, to the extent feasible, on scientific data and local information. Generally, an environmental/social professional with training and/or experience in environmental assessment should make this determination;
- *Category B:* Operations that are likely to cause mostly local and short-term negative environmental and associated social and cultural impacts and for which effective mitigation measures are readily available will be classified as “B.” The magnitude/intensity of Category B projects are moderate in terms of direct, indirect, regional and cumulative impacts and standard procedures, know-how, and skills for the design of the mitigation measures are readily available and implementable.
- *Category C:* Operations that are likely to cause minimal or no negative environmental and associated social and cultural impacts will be classified as Category C. For the most part, these are operations that do not involve

works or result in physical modification of the environment. Operations that are clearly designed to produce positive environmental outcomes, unless they include physical works, are considered to be Category C operations.

### **Review and Processing**

The SSF must accompany the PCD or its equivalent document, with its Environmental and Social Strategy (ESS) for the operation. The categorization of the operation (“A”, “B” or “C”) will be made public with the PCD, according to Bank disclosure procedures for these documents.

*The Environmental and Social Strategy (ESS)* summarizes:

- The preliminary assessment of the potential key direct, indirect, regional and cumulative environmental and environmentally related social and cultural impacts and/or risks of the proposed operation and the key potential impacts and risks of the operation’s associated facilities.
- The actions the project team proposes to take to confirm the preliminary assessment of impacts and risks, and the necessary mitigation/monitoring measures. The ESS should address: the alternatives examined to avoid and minimize the identified impacts or risks; the required environmental and social study (e.g., strategic environmental assessment, environmental impact assessment, environmental analysis); the proposed steps in public disclosure of information and consultation, and if applicable, the steps already taken to consult the public; and the scope of the environmental and social due diligence.

### **Establishment of an Advisory Panel of Experts**

A few Category A operations may raise complex and sensitive environmental, social, or health and safety concerns of such magnitude that the Bank may ask the borrower to establish an advisory panel of experts. Depending on the specific issues of concern, a panel of experts may be convened



by the borrower at any stage of the project cycle to advise the borrower on issues related to the EA process, as needed for an operation. It is understood that *not* all Category A projects will *a priori* require an advisory panel. If needed, the project team may recommend in the ESS the creation of a panel, based on its preliminary assessment of key concerns. The panel, however, is established and financed by the borrower, which retains responsibility for its activities.

The scope and type of the panel of experts will depend upon a given project's characteristics, and may include one or more recognized and independent professionals experienced in the specific safeguard issues relevant to the operation. The advisory panel should be convened based on the terms of reference agreed between the project team and the borrower. The role and authorities of the panel, as well as specific professional qualifications, time frame for services, and reporting requirements will be defined in the TOR. Consideration should be made as to disclosure of the panel's work and results to the public.

In those cases where the borrower has already convened an ad hoc advisory panel of national and international experts for advise in some complex technological aspects of large infrastructure projects, the Bank could ask the borrower to include in it the required expertise in environmental and social matters.

## Procedures

The PCD and its accompanying Safeguard Screening Form (SSF) must be sent to the CESI for all operations that require classification.

- All *Category A* operations will be required to have a formal CESI review meeting. The CESI will review the PCD for Category A operations and will require the teams to return to the CESI for review with the project document and/or ESMR. Relevant environmental assessment reports (see Directive B.5) shall also be available for CESI review.
- For *Category B* operations, the CESI will review only those operations that the Committee considers necessary, if particular sensitive

risks are identified in the context of Directive B.4. Otherwise, environmental issues for Category B operations will be addressed at the level of the CRG and Loan Committee.

- *Category C* operations do not require any EA process beyond the screening and scoping analysis for determining the classification. The classification of Category C operations will be reviewed at CRG and will be submitted for review by the CESI *only if* the CRG considers it necessary. For categorization tracking purposes, the PCD and its accompanying SSF of Category C operations will be copied to CESI, when submitted to the CRG.

As a sub-committee of the Loan Committee, the CESI reviews the PCD and the SSF, as part of the CRG meeting for Category B and C, or as a stand-alone CESI meeting, for Category A and high risk operations, proceeding to issue recommendations regarding the environmental and sociocultural viability of the operation, the impact categorization and the team's strategy to address such impacts. The SSF of the operations reviewed by the CESI will be cleared and signed by the CESI Chair and submitted with its recommendations to the Loan Committee. The procedures for the Private Sector Department will be similar in process, replacing the CRG by the Private Sector Committee.

## Disagreements in Classification.

The minutes of the CESI will reflect the proposed categorization of operations and CESI's nonobjection to such categorization. If the project team and CESI cannot agree on the proposed classification and/or the ESS, the CESI minutes will reflect such disagreement. The corresponding CRG will attempt to resolve and reconcile the issue of categorization. In cases where the decision by the CRG may be still objectionable to the CESI, then the issue will be raised and presented at the Loan Committee for final resolution. For private sector operations these issues will be resolved at the Private Sector Committee.

## **Changes in Category**

Project classification may change if during the preparation new information warrants changing the project's category, or if the design of an operation is substantially modified. It is the project team's responsibility to determine substantial change, which is understood as changes that affect the environmental and social viability of the operation. These may be changes in project scope, project objectives or the addition/deletion of components or changes in the disbursement conditions of the loan. In cases where there are substantial

changes in the project design, the project team must report these changes to the CESI by making appropriate adjustments to the Safeguard Screening Form and re-submit the form for review prior to submitting to the loan proposal and/or the environmental and social management report to the CESI. Project teams should be aware that a change of Category from B to A can result in additional requirements or delays. Therefore, it is recommended to address this issue as early as possible. (See requirement for ESMR in Directive B.5.)

**POLICY DIRECTIVE B.4**  
**Other Risk Factors**

*In addition to risks posed by environmental impacts, the Bank will identify and manage other risk factors that may affect the environmental sustainability of its operations.* These risk factors may include elements such as the governance capacity of executing agencies/borrower and of third parties,<sup>1</sup> sector-related risks, risks associated with highly sensitive environmental and social concerns, and vulnerability to disasters. Depending on the nature and the severity of the risks, the Bank will engage with the executing agency/borrower and relevant third parties to develop appropriate measures for managing such risks.

## PROCEDURES AND IMPLEMENTATION

### Identification of Other Risk Factors

The screening process described in Directive B.3 is used to classify projects based upon their *impacts* and to identify potential environmental risk factors. Directive B.5 provides guidance on the environmental assessment tools to manage these environmental impacts.

Directive B.4 addresses other types of risks that are not impact-based for which an environmental assessment may not necessarily be the most relevant tool. For instance, institutional and management deficiencies may be an issue that puts a project in a high-risk situation, which requires an institutional capacity assessment, but not an EIA.

As part of the screening process of an operation (see Directive B.3), project teams will also identify if there are any potential key or significant *risk factors* other than environmental and associated social impacts that may threaten the environmental viability of the operation. If there are any key potential environmental risk factors, these will be mentioned in the PCD, and the SSF, and a strategy presented to assess these risks as part of the Bank's analysis/due diligence. These potential risk factors may be:

- *The environmental governance capacity of the borrower and/or executing agency.* Lack of capacity may be a significant risk for the environmental sustainability operation, even for operations with limited impacts, and should be properly analyzed. A client's ca-

capacity varies according to its ability and commitment to address and manage environmental matters, the ability to mobilize resources for environmental oversight, availability of sufficient numbers and quality of staff to perform environmental management and regulatory tasks, as well as the client's environmental management track record.

- *Technical cooperations that finance pre-feasibility or feasibility studies of infrastructure projects.* Although such TCs do not generate environmental or social impacts *per se*, they help facilitate projects that might have significant environmental and associated social impacts and/or risks. For complex infrastructure projects, it is important that the project team ascertain that the environmental studies prepared under the TC are properly scoped and comply with the requirements of this Policy.
- *Projects may be of higher risk due to controversial environmental and associated social issues,* such as projects unfairly affecting certain segments of society (including environmental justice issues) or activities in areas of suspected human rights violations, or addressing specific issues such as genetically modified organisms (GMOs), human genetic research, etc.
- *Projects may be vulnerable to natural disasters,* by design, location or function. Such project may not cause significant environmental impacts under normal circumstances but due to their vulnerability to natural disas-

ters they may cause significant environmental or social impacts in the event of a disaster. The Disaster Risk Management Policy is under preparation and, as such, specific guidance will be provided to analyze vulnerability, when approved by the Board.

- *Associated facilities not financed by the Bank* may result in environmental or social risks for a project (see discussion in the guidelines Directive B3).

### **Assessment and Management of Risk Factors**

As part of the Bank's analysis/due diligence of an operation, project teams will assess and confirm based upon reasonable information if such potential environmental risk factors may generate significant risks to the environmental sus-

tainability of the operation. As necessary, project teams will identify and propose measures to manage such risks. A summary of the identified key environmental risks and management thereof shall be presented in the loan document or environmental and social management report, and where applicable in the logical framework.

### **Monitoring of Risk Factors**

Operations that contain significant environmental-related risk factors will be monitored during execution by the COF/PRI project team to follow how the risk factors are being addressed. The PPMR and PCR for public sector projects are the reports that will provide, as appropriate, information on an operation's environmental sustainability risks.

**POLICY DIRECTIVE B.5**  
**Environmental Assessment Requirements**

***Preparation of Environmental Assessments (EA) and 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), Environmental and Social Management Plan (ESMP), and environmental analyses, as defined in this Policy and detailed in the Guidelines.*** The operation's executing agency or borrower is required to submit all EA products to the Bank for review. The operation's approval by the Bank will consider the quality of the EA process and documentation, among other factors.

- The EIA process includes, as a minimum: screening and scoping for impacts; timely and adequate consultation and information dissemination process; examination of alternatives including a no project scenario. The EIA should be supported by economic analysis of project alternatives and, as applicable, by economic cost-benefit assessments of the project's environmental impacts and/or the associated protection measures. Also, due consideration will be given to analyzing compliance with relevant legal requirements; direct, indirect, regional or cumulative impacts, using adequate baseline data as necessary; impact mitigation and management plans presented in an ESMP; the incorporation of EA findings into project design; measures for adequate follow-up of the ESMP's implementation. An EIA report must be prepared with its ESMP and disclosed to the public prior to the analysis mission, consistent with the Disclosure of Information Policy (OP-102).
- The SEA has the following objectives: (i) assure that the main environmental risks and opportunities of policies, plans or programs have been properly identified; (ii) engage early on governments and potentially affected parties in the identification and analysis of strategic issues, actions, and development alternatives; (iii) define and agree on a sequence of actions to address systematically and strategically environmental issues and priority actions, summarized in an SEA action plan for adequate monitoring and follow up; and (iv) assure that adequate environmental information is available and collected for the decision-making process. The SEA process should be triggered early in the decision-making process and prior to the implementation of the policies, plans or programs. Recommendations from the SEA process should be incorporated into an operation's activities.
- For operations requiring an environmental assessment but not subject to an EIA or an SEA, an environmental analysis should be performed including an evaluation of the potential environmental, social, health and safety impacts and risks associated with the operation, and an indication of the measures foreseen to control these risks and impacts. The financing of existing facilities 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.
- The ESMP must include: a presentation of the key direct and indirect impacts and risks of the proposed operation; the design of the proposed social/environmental measures to avoid, minimize, compensate and/or mitigate the key direct and indirect impacts and risks; the institutional responsibilities to implement these measures, including, where necessary, institutional development, capacity building and training; the schedule and budget allocated for the implementation and management of such measures; the consultation or participation program agreed for the operation; and the framework for the monitoring of social and environmental impacts and risks throughout the execution of the operation, including clearly defined indicators, monitoring schedules, responsibilities and costs. The ESMP should be ready for, and reviewed during, the analysis/due diligence mission.

## DEFINITION

“Environmental assessment” is a generic term covering various types of assessment processes such as Environmental Impact Assessment (EIA), Strategic Environmental Assessment (SEA), Socio-cultural Analysis (SCA), environmental analyses and environmental audits (Policy Definition).

## PROCEDURES AND IMPLEMENTATION

### Requirements

As part of the overall preparation and design process of Bank operations, the Bank requires that Category A and B operations be subject to Environmental Assessments (EA), according to the nature and significance of the potential impacts of the operation.

Category A operations in general require an EIA or SEA to be undertaken including the preparation of an ESMP, whereas Category B operations will typically require an Environmental and/or Socio-cultural Analysis and its management plan, the ESMP. The general content of the main EA tools are defined in these guidelines.

Category B operations will normally require an environmental analysis, according to, and focusing on, the specific issues identified in the screening process. This analysis will be complemented by a set of provisions to avoid, mitigate or compensate for specific environmental, social, health and safety impacts, which are reported in the ESMP. For those operations where potentially significant associated negative social or cultural impacts are identified, a Socio-cultural Analysis might be required to address such impacts.

Category C operations do not require any EA process beyond the screening and scoping analysis for determining the classification. However, if necessary, these operations may require specific safeguard requirements, such as compliance with environmental, health and safety standards or codes, or exclusion lists.

All operations will require completing the Safeguard Screening Form (SSF) with the PCD and its

Environmental and Social Strategy (ESS) (see Directive B.3). If the project team considers that its operation will not cause negative environmental and associated social impacts, then the ESS should contain an explanation and statement of no significant negative impacts in the PCD.

### Responsibilities for the EA

The *borrower* is responsible for preparing and submitting to the Bank the relevant environmental assessment products. The *project team* reviews these products and summarizes the results, including those of the Bank’s analysis/due diligence, in the operation document (e.g., loan document) or the ESMR, if required by the CESI. The project team should provide, when feasible, guidance and orientation to the borrower during preparation on the scope and standard expected in developing the EAs.

### Procedures

Most borrowing member countries have established rules and procedures regarding EA processes, report contents, disclosure, and consultation requirements. When preparing an operation requiring EAs, project teams should review the country EA requirements as they apply to the specific operations, compare them with IDB requirements, and address the gaps, if any, consistent with this Policy.

### Disclosure

Project teams must comply with the Information Disclosure Policy (OP-102). The PCD or equivalent and any environmental assessments required in the Information Disclosure Policy (OP-102) will be made available to the public.

### A. The Environmental Impact Assessment

The EIA is undertaken to identify potential significant environmental and social impacts, propose solutions to manage such impacts, and the selected measures that will avoid, mitigate or compensate for significant negative impacts and enhance positive ones. The EIA considers the entire project cycle, from the design stage to construction, operation and decommissioning, if ap-

plicable. The formal documentation is the EIA report. The ESMP, including the design of all mitigation and compensation measures recommended, is an integral part of the EIA report.

### *Standards*

The EIA report is required to comply with the requirements of this policy, and will be reviewed by the project team. The requirements of the EIA process, as presented here and complemented in Annex II, provides guidance to fulfill such requirements.

## **B. The Strategic Environmental Assessment**

The Strategic Environmental Assessment (SEA) addresses the key environmental and associated social impacts of policies, plans and programs. The SEA is a tool for including environmental and social issues into development planning, decision-making and implementation processes at strategic levels, prior to commitments and decisions at the project-level are made.

The specific objectives of the SEA are: (i) assure that the main environmental risks and opportunities of policies, plans or programs have been properly identified; (ii) engage early on governments and potentially affected parties in the identification and analysis of strategic issues, actions, and development alternatives; (iii) define and agree on a sequence of actions to address systematically and strategically environmental issues and priority actions, summarized in an SEA action plan for adequate monitoring and follow up; and (iv) assure that adequate environmental information is available and collected for the decision-making process.

Several countries have adopted guidelines referring specifically to the preparation of SEAs, and the project team should verify if such guidelines exist for their specific operation. In the context of the Bank's operations, the SEA is often the appropriate tool for the following types of operations: (i) policy-based lending operations (e.g., structural or sectoral adjustment); (ii) sector-wide loans, such as the tourism sector programs; and (iii) regional plans and programs, such as infrastructure development.

As for other EAs, the responsibility for preparing the SEA lies with the borrower. SEAs are typically performed by governmental entities responsible for developing policies, plans, and programs. The project team should provide guidance and orientation to the borrower in preparing SEA.

## **C. Other EA Processes**

For those operations that do not require an EIA, the Bank may require other forms of environmental assessments that are more appropriate in integrating environmental and associated social, and health and safety concerns into such operations. This section presents three additional tools for EA: environmental analysis, socio-cultural analysis, and environmental audits.

### *Environmental Analysis*

An environmental analysis is required for Category B operations, which are those causing specific environmental and associated social impacts that are mostly local and short term, and that have readily available and effective mitigation measures (see Directive B.3).

Environmental analyses may be carried out for both public and private sector operations. An EA could include, as applicable: (i) a description of the proposed investment plan; (ii) an evaluation of the legal and regulatory framework applicable to the investment plan; (iii) an assessment of the potential environmental and social impacts and risk of the proposed operations, works or activities included in the proposed investment plans; and (iv) a proposed management plan, including mitigation and monitoring programs to address significant impacts and risks.

### *Socio-cultural Analysis*

A socio-cultural analysis is required when an operation may cause significant socio-cultural impacts on affected people, which will not be addressed by other EA processes required for the operation. The socio-cultural analysis may be part of an environmental analysis.

Socio-cultural analysis is used to identify the people that will be significantly affected by a project,

and to establish actions to avoid, reduce or mitigate the significant negative social-cultural impacts. Socio-cultural analysis can be used to make operations more relevant and appropriate to the needs and aspirations of the target groups, in terms of: (i) identifying the groups or sectors involved in or significantly affected by a project (stakeholder analysis); (ii) achieving an understanding of the culture and identity of the target groups and beneficiaries; and (iii) engaging the relevant groups and/or sectors in identifying priority activities and actions.

#### *Environmental Audits*

Environmental audits identify past or present environmental and social impacts and risks associated with existing or past economic activities and prescribes the means to correct them, when necessary.

An environmental audit focuses on two elements: (i) compliance of existing facilities, activities and operations with the applicable environmental and associated social, and occupational health and safety in-country laws and regulations, and with Bank requirements; and (ii) the nature and extent of existing environmental impacts, including soil, water and groundwater, air and any facility contamination, as well as any relevant impact to the natural environment and resources and its consequences to affected communities as a result of past or existing activities.

#### **D. Environment and Social Management Plan (ESMP)**

Environmental and Social Management Plans (ESMPs) are prepared by the borrower as an integral part of an EIA or as a stand-alone document establishing the requirements deriving from the environmental analysis. They describe the mitigation measures and monitoring requirements agreed during the environmental assessment process and provide the framework for their implementation in subsequent stages of the project.

ESMPs describe the institutional arrangements, where necessary, and capacity building needed to carry out required mitigation and enhancement measures and put appropriate monitoring pro-

grams in place. ESMPs outline responsibilities for public consultation and disclosure, and describe mechanisms for feedback and remedial action. They also indicate the estimated costs of these activities. ESMPs will complement and take into account, as appropriate, information generated in the Institutional Capacity Assessment System (ICAS) that is being increasingly used for project preparations.

Public consultations may improve the design of mitigation and monitoring measures, and should be considered in the finalization of ESMPs. Affected parties also may be asked to play a role in monitoring the ESMP.

The draft ESMP is reviewed by the project team and should be agreed upon prior to Bank approval of the operation, and the key provisions of ESMPs are incorporated into the relevant project agreements between the Bank and the borrower. Prior to project approval, the ESMP presented by the team should have all of the necessary requirements and provisions to ensure an appropriate treatment of environmental issues during project execution. Under justified circumstances, and because of the nature of certain type of operations, these operations may not have detailed operational activities fully defined. In these cases, the borrower will commit to a specific and reasonable timetable to present an updated ESMP.

ESMPs are used and modified, as necessary, during project implementation. Specific mechanisms for corrective action—based on feedback from inspection and monitoring programs—should be included in the ESMP.

#### **E. Environment and Social Management Report (ESMR)**

The Environmental and Social Management Report (ESMR) is a Bank report where the project team presents the results of the EA process, particularly the conclusions and recommendations of the project's ESMP. An ESMR is required for all Category A operations, and when requested by CESI, for Category B operations. The project team prepares the ESMR and submits it to the CESI, if required. The ESMR is disclosed to the public according to Policy OP-102.



The ESMR provides a synthesis of the EA and other relevant environmental and social documents developed as part of preparation and analysis/due diligence of the operation, focusing on the environmental and social management aspects to be applied during the execution of the project. The ESMR should confirm that the relevant Bank

policies will be complied with. The project report and the ESMR will clearly state the actions taken to address the relevant significant environmental risk factors that may affect the environmental sustainability of the operation, including associated facilities, if relevant.

**POLICY DIRECTIVE B.6**  
**Consultations**

*As part of the environmental assessment process, Category “A” and “B” operations will require consultations with affected parties<sup>1</sup> and consideration of their views. Consultations with other interested parties may also be undertaken in order to consider a broader range of expertise and perspectives.* Category “A” operations will be consulted at least twice during project preparation, during the scoping phase of the environmental assessment or due diligence processes, and during the review of the assessment reports. For Category “B” operations, affected parties must be consulted at least once, preferably during the preparation or review of the ESMP, as agreed with the borrower. For consultation purposes, appropriate information will be provided in location(s), format(s) and language(s) to allow for affected parties to be meaningfully consulted, to form an opinion and to comment on the proposed course of action. EIAs and/or other relevant environmental analyses will be made available to the public consistent with the Bank’s Disclosure of Information Policy (OP-102). During execution, affected parties should be kept informed of those project-related environmental and associated social mitigation measures affecting them, as defined in the ESMP.

**DEFINITIONS**

Conceptually, there are three levels of interaction between project proponents and affected parties: *information*, *consultation* and *participation*. This Policy only refers to the first two.

- *Information* is the first and essential step in communication. The information presented must be appropriate, meaning relevant, understandable to the recipient, precise, and timely. Dissemination of information is passive, requiring no dialogue between the disseminator and the recipient;
- *Consultation* consists of a constructive dialogue between the affected parties and the project proponent, where each actor listens to the others opinions, concerns, expectations and proposals. Meaningful consultations and consideration of each other’s views imply that the parties involved are willing to be influenced in their opinions, activities and plans, and to consider them to a reasonable extent, resulting in concrete actions that take other parties’ concerns into account. This process is required for all Category A and B operations.

**Affected Parties**

These are individuals, group of individuals or communities who may be directly impacted by a Bank-financed operation. Such impacts may be positive or negative. Affected parties may designate representatives as part of the consultation process.

**Interested Parties**

These are individuals or groups who have expressed support or concern regarding a proposed or existing bank-financed operation.

**PROCEDURES AND IMPLEMENTATION**

**Screening and Classification**

Project teams will classify all operations according to its environmental and social impacts (see Directive B.3). When an operation is classified as Category A or B, the Policy requires the borrower to perform public consultations and consider the inputs of affected parties in the project.

**Contracting Professional Assistance**

When applicable, the borrower should consider contracting specialized resources to conduct effective, professional consultations, as successful con-

sultation processes require specific communication, negotiation and group management skills.

### **Consultation Process**

The consultation process depends on the nature of the operation being considered for financing. For Category A projects, consultations can be preceded by a *stakeholder analysis*, an exercise consisting of mapping the social landscape associated with the project that identifies affected and interested parties, their inter-relations and interests regarding the project. The Bank also encourages meeting with experts and representatives of institutions and civil society organizations specializing in a given field or issue, to receive feedback and advice. In the case of consultations related to the preparation of resettlement plans, the borrower should follow the Operational Policy on Involuntary Resettlement (OP-710).

### **Consultations for Category A Operations**

According to this Policy, affected parties for Category A projects must be consulted at least twice in the process of preparing an operation. These operations should have a public consultation plan defining the objectives and methodology to perform meaningful consultations with affected parties.

### **Timing of Category A Consultations<sup>2</sup>**

The first consultation should preferably occur during the scoping phase of the EA process for the operation. The second consultation should preferably occur when the impact assessment is being reviewed, in order to inform, gather comments, and adjust the assessment and the corresponding environmental and social management plan. Category A operations may benefit from more than two consultations, at the discretion of the borrower, if warranted by the nature, geographical extension of the operation, or other pertinent factors.

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<sup>2</sup> Consultation for operations with EA studies and consultations completed prior to entering the IDB pipeline are guided by next paragraph.

### **Operations with EA Studies and Consultations Completed before an Operation Enters the IDB Formal Pipeline**

In the case of operations for which the EA studies have been completed before the operation formally enters the Bank pipeline, including projects under construction (see Directive B.12), the project team will review, during its due diligence, whether or not the consultations have been carried out to the satisfaction of the Bank. In the course of its due diligence, the Bank might need to require that the borrower consult affected and interested parties to identify the most vulnerable subgroups and ensure that their interests are adequately represented in this process.

### **Consultations for Category B Operations**

Given the nature of the impacts associated with Category B operations, they require *at least* one consultation with affected parties, preferably when the impact assessment is being reviewed, in order to inform, gather comments, and adjust the assessment and the corresponding environmental and social management plan. Consultations should provide, at a minimum, information to affected parties and a dialogue regarding the project scope and proposed mitigation measures.

### **Interaction With Affected Parties**

Borrowers for either Category A and B operations may consider additional interaction with affected and interested parties, as such dialogue helps improve the design, promote a better understanding of the operation and improve its chance of success and sustainability.

### **After Bank Approval**

For Category A and B operations, the borrower should continue an applicable degree of information disclosure and consultation, on the basis of the agreed Environment and Social Management Plan (ESMP).

### **Disclosure of Information**

Project teams must comply with the Disclosure of Information Policy, OP-102.

***POLICY DIRECTIVE B.7***  
***Supervision and Compliance***

***The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.*** Safeguard requirements, such as those in an ESMP must be incorporated into the project contract documents, its operating or credit regulations, or the project bidding documents, as appropriate, setting out as necessary milestones, timeframes and corresponding budgetary allocations to implement and monitor the plan during the course of the project. Safeguard indicators, as appropriate, should be clearly defined in the logical/results framework, followed up in project monitoring reports and reviewed in mid-term reviews and project completion reports. Compliance with safeguard commitments and identification of unexpected safeguard issues will be analyzed, reviewed and reported as part of Bank's administration and portfolio review missions. Category "A" projects will be reviewed at least annually to assess safeguard compliance. Whenever ex-post evaluations are conducted, these will evaluate the sustainability outcomes of an operation.

## **PROCEDURES AND IMPLEMENTATION**

### **ESMP Requirements**

Whenever mitigation measures are required for an operation, the contract, operation regulations and/or sector letter will include safeguards provisions that define the commitments agreed upon by the Bank and the borrower that serve as binding obligations during execution. For public sector operations, the proposed project budget set out in the project document and incorporated into Annex A of the loan contract should include, as necessary, explicit budgeting for safeguard or mitigation measures. These documents and the logical framework should include key environmental milestones such as dates for reporting on environmental compliance per specified indicators, as required. For Category A public-sector operations, the transmittal memorandum to be sent to the Bank's Country Office will outline expected safeguard compliance actions throughout the life of the operation.

### **Country Office/PRI Project Team**

The teams should verify that safeguards included in the loan contract, operating regulations or sector letters are implemented. Supervision may in-

volve different tasks, such as visiting project sites, meeting with the borrower and its representatives, and reviewing environmental monitoring reports. Category A projects will be reviewed at least annually.

### **Noncompliance**

Where environmental or associated social non-compliance issues arise during project implementation, the project team in charge of supervision will work with the borrower and/or executing agency on an action plan consistent with this Policy, to resolve them. This may require identifying corrective actions to be taken by borrower, 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.

### **Safeguard Indicators**

When applicable, given the magnitude of an operation's environmental and social negative impacts, the project team will include relevant indicators as part of the logical/results framework. Administration and portfolio review missions, as needed, will monitor these indicators.

**Ex-post Evaluation**

When the borrower agrees to conduct an ex-post evaluation, this activity will be performed accord-

ing to Bank procedures. The ex-post evaluation should include an evaluation of the agreements included in the ESMP as well an evaluation on the performance on the designed indicators.

**POLICY DIRECTIVE B.8**  
**Transboundary Impacts**

*The environmental assessment process will identify and address, early in the project cycle, transboundary issues associated with the operation.* The environmental assessment process for operations with potentially significant transboundary environmental and associated social impacts, such as operations affecting another country's use of waterways, watersheds, coastal marine resources, biological corridors, regional air sheds and aquifers, will address the following issues: (i) notification to the affected country or countries of the critical transboundary impacts; (ii) implementation of an appropriate framework for consultation of affected parties; and (iii) appropriate environmental mitigation and/or monitoring measures, to the Bank's satisfaction.

## **PROCEDURES AND IMPLEMENTATION**

### **Screening**

The project team will identify the presence of potentially significant transboundary environmental and social issues of concern in the Safeguard Screening Form (SSF) (see Directive B.3). Typically, potential transboundary impacts are associated with:

- Air, ground or surface-water emissions or discharges that negatively affect neighboring countries' natural resources (e.g., rivers, coastal areas, critical natural habitats, critical cultural sites) or people;
- The water flow of major water systems crossing from one sovereign state to another, water extraction from transboundary aquifers, major land use changes in areas of important aquifers, watersheds or water basins; and
- Projects that can cause significant transboundary migration patterns of fauna, as well as changes in biological corridors and protected areas.

### **Evaluation of Impacts**

The environmental assessment (Directive B.5) should identify and evaluate transboundary sig-

nificant impacts and propose and design the measures to avoid and mitigate them. These measures are to be presented in detail in an environmental and social management Plan (see Directive B.5).

### **Multilateral Environmental Agreements**

During the preparation of the operation, the borrower should verify that the project complies with any applicable Multilateral Environmental Agreements (MEAs) relevant to transboundary issues and that have been ratified by the borrower country (Directive B.2).

### **Notification of Affected States**

When operations are identified as having potentially significant transboundary impacts, the borrower or competent authorities, if necessary with the help of the Bank, should take appropriate steps to ensure notification of the affected countries of the critical transboundary impacts.

### **Consultations**

After the notification, the project team should confirm that an appropriate framework for consultation consistent with the requirements of this Policy (please refer to Directive B.6) is implemented by the borrower.

**Mitigation and Compensation Measures and ESMP**

The borrower shall establish the appropriate mitigation and monitoring measures for these trans-

boundary significant impacts. These measures are normally part of an environmental and social management plan (see Directive B.5). The project team should confirm that these measures are consistent with the Bank's policies.

**POLICY DIRECTIVE B.9**  
**Natural Habitats and Cultural Sites**

**The Bank will not support operations that, in its opinion, significantly convert or degrade critical natural habitats or that damage critical cultural sites.** Whenever feasible, Bank-financed operations and activities will be sited on lands already converted. In addition, the Bank will not support operations involving the significant conversion or degradation of natural habitats as defined in this policy, unless: (i) there are no feasible alternatives acceptable to the Bank; (ii) comprehensive analysis demonstrates that overall benefits from the operation substantially outweigh the environmental costs and; (iii) mitigation and compensation measures acceptable to the Bank—including, as appropriate, minimizing habitat loss and establishing and maintaining an ecologically similar protected area that is adequately funded, implemented and monitored. The Bank will not support operations that introduce invasive species.

The EA process will identify and assess impacts on critical cultural sites. For other noncritical cultural sites or artifacts, appropriate measures will be taken to protect their integrity and function. For operations where archeological or historical artifacts can be expected to be found either during construction or operations, the borrower will prepare and implement chance find procedures based on internationally accepted practices.

**DEFINITIONS**

For the purposes of this Policy (as defined in Section VI of the Policy):

- *Critical natural habitats* are: (i) existing protected areas, areas officially proposed by governments for protection or sites that maintain conditions that are vital for the viability of the aforementioned areas; and (ii) unprotected areas of known high conservation value. Existing protected areas may include reserves that meet the criteria of the IUCN Protected Area Management Categories I through VI; World Heritage Sites, areas protected under the RAMSAR Convention on Wetlands; core areas of World Biosphere Reserves; areas in the UN List of National Parks and Protected Areas. Areas of known high conservation value are sites that, in the Bank's opinion, may be: (i) highly suitable for biodiversity conservation; (ii) crucial for critically endangered, endangered, vulnerable or near threatened species listed as such in the IUCN Red List of Endangered Species; and (iii) critical for the viability of migratory routes of migratory species.
- *Natural habitats* are biophysical 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. Natural habitats may be sites that (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) are vital to ensure the functional integrity of ecosystems (e.g., biological corridors, natural springs); and (iii) have high levels of endemism. Natural habitats 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



- *Significant conversion* is the elimination or severe diminution of the integrity of a critical or other natural habitat caused by a major, long-term change in land or water use. In both terrestrial and aquatic ecosystems, conversion of natural habitats can occur as the result of severe pollution. Conversion can result directly from the action of a project or through an indirect mechanism (e.g., through induced settlement along a road).
- *Degradation* is modification of a critical or other natural habitat that substantially reduces the natural habitat's ability to maintain viable populations of its native species.
- *Ecologically similar area* is an area of the same ecosystem or of equivalent natural functions and services, with a comparable composition of plants, animals and other organisms, and similar physical characteristics.

### **Lands Already Converted**

Wherever feasible, the Bank will encourage the projects it finances to be sited in lands already converted. However, there is a risk that land may be converted in anticipation of a Bank-financed project. Where there is unequivocal evidence that land has been voluntarily converted exclusively to comply with such requirement of this Policy, and that such land consisted of a critical natural habitat; then *the Bank should not support the project.*

## **PROCEDURES AND IMPLEMENTATION**

### **A. Critical Natural Habitats and Natural Habitats**

#### *Significant Conversion or Degradation*

Assessment of “degradation” or “significant conversion” of a site should be carried out through the EA process, as appropriate. There are no numerical thresholds of areas or proportion of a site for determining “degradation” or “significant conversion”, but the determination should be consistent with the definitions presented here in Directive B.9.

For *critical natural habitats*, as defined in this Policy, the following procedures apply.

The Project Team must verify, in consultation with an environmental specialist if necessary, that the project does not *degrade* or *significantly convert* a *critical natural habitat*.

- *Pre-screening Phase:* The project team together with the borrower will identify, early in the project preparation phase and with the support of qualified professionals and environmental authorities where necessary, whether or not *critical natural habitats* might be affected by the operation.
- *Screening:* The project team must fill out a Safeguard Screening Form (SSF) (see Directive B.3) in which it indicates whether or not the operation might affect *critical natural habitats* or if further analysis is required to determine this.
- *Environmental Assessment:* If the initial screening indicates that the project is likely to affect *critical natural habitats*, an environmental assessment should be carried out to confirm if the areas affected qualify as such and to determine whether or not the project will *significantly convert* or *degrade* these areas.
- *Mitigation Measures:* If the project *is not likely to* significantly convert or degrade the critical natural habitat, but might still negatively impact it, the borrower shall develop mitigation and monitoring measures, acceptable to the project team, to mitigate such impacts.
- *Avoiding Significant Conversion or Degradation:* If the project *is likely to* significantly convert or degrade the critical natural habitat, the borrower shall develop, acceptable to the project team, alternative plans (design, location or other) to avoid such impacts on the critical natural habitat.
- *No Alternatives Scenario:* Where no alternatives are feasible and the critical natural habitat in the Bank’s opinion will be significantly

converted or degraded by the operation, then the project should be ineligible for Bank financing.

The same process described above should be followed to identify if a project may impact *natural habitats*. Where the environmental assessment process concludes that the operation is likely to significantly convert or degrade *natural habitats*, the project would be eligible for Bank financing if:

- There are no feasible alternatives acceptable to the Bank.
- *Overall Benefits vs. Environmental Costs.* The environmental assessment process demonstrates that *overall benefits from the project substantially outweigh overall environmental costs*. In order to demonstrate that, the EA should present an analysis of the costs and benefits of the project, including nonfinancial costs and benefits and environmental and social impacts, computing all mitigation measures to be adopted. In order to justify significantly converting or degrading a natural habitat, the EA or the borrower should explain the importance of the expected benefits and the associated project and environmental costs.
- *Mitigation and Compensation Measures.* The borrower develops mitigation and compensation measures acceptable to the Bank. This may include minimizing habitat loss and/or to protecting and maintaining an area ecologically similar to the one being significantly converted or degraded. These measures should be proposed/carried out in consultation according to Directive B.6, must be established in the ESMP with specific budget allocations and a monitoring and supervision program designed to ensure the proper execution of these measures. The ESMP recommendations must be incorporated into appropriate loan contractual conditions. For further requirements regarding the ESMP, please refer to Directive B.5.

## B. Critical Cultural Sites

For the purposes of this Policy:

- *Cultural sites* are any natural or manmade areas, structures, natural features and/or objects valued by a people or associated people to be of spiritual, historical, and or archaeological significance. Material remains may be prominent, but will often be minimal or absent.
- *Critical cultural sites* include but are not restricted to those protected (or officially proposed by governments for protection) such as World Heritage Sites and National Monuments, and areas initially recognized as protected by traditional local communities (e.g., sacred groves).
- *Damage*, in the context of a critical cultural site, means spoiling, compromising or impairing the condition or quality of a critical cultural site to the point that it will reduce its spiritual, historical or archeological value.

Regarding critical cultural sites the following procedures apply:

- The project team must verify, in consultation with a specialist if necessary, that the project does not *damage a critical cultural site*.
- *Pre-screening Phase.* The project team should, together with the borrower, identify, early in the project preparation phase, whether or not *critical cultural sites* might be affected by the operation. This may be done with the support of qualified professionals cultural heritage authorities as applicable.
- *Screening.* The project team must fill out a safeguard screening form (see Directive B.3) in which it indicates whether or not the operation might affect *critical cultural sites* or if further analysis is required to determine this.
- *Socio-cultural Assessment.* If the initial assessment indicates that the project is likely to affect *critical cultural sites*, analytical work,

such as a socio-cultural assessment integrated into an EIA if applicable, or in a stand-alone socio-cultural analysis (see Directive B.5) should be carried out to confirm if the areas affected qualify as such and to determine whether or not the project will *damage* these areas.

- *Mitigation Measures.* If the actions proposed *are not likely to* damage the critical cultural site, but might still impact it, the borrower shall take, acceptable to the project team, measures to mitigate such impacts.
- *Avoiding Damage to Critical Cultural Sites.* If the project *might damage* the critical cultural site, the borrower, will seek alternative plans (design, location or other) that do not damage the critical cultural site.
- *No Alternatives Scenario.* Where, in the opinion of the Bank, no alternatives are feasible and the critical cultural site will be damaged, then the project should be declared ineligible for Bank financing.
- Indigenous lands and territories will be treated according to the requirements of the Indigenous Policy.

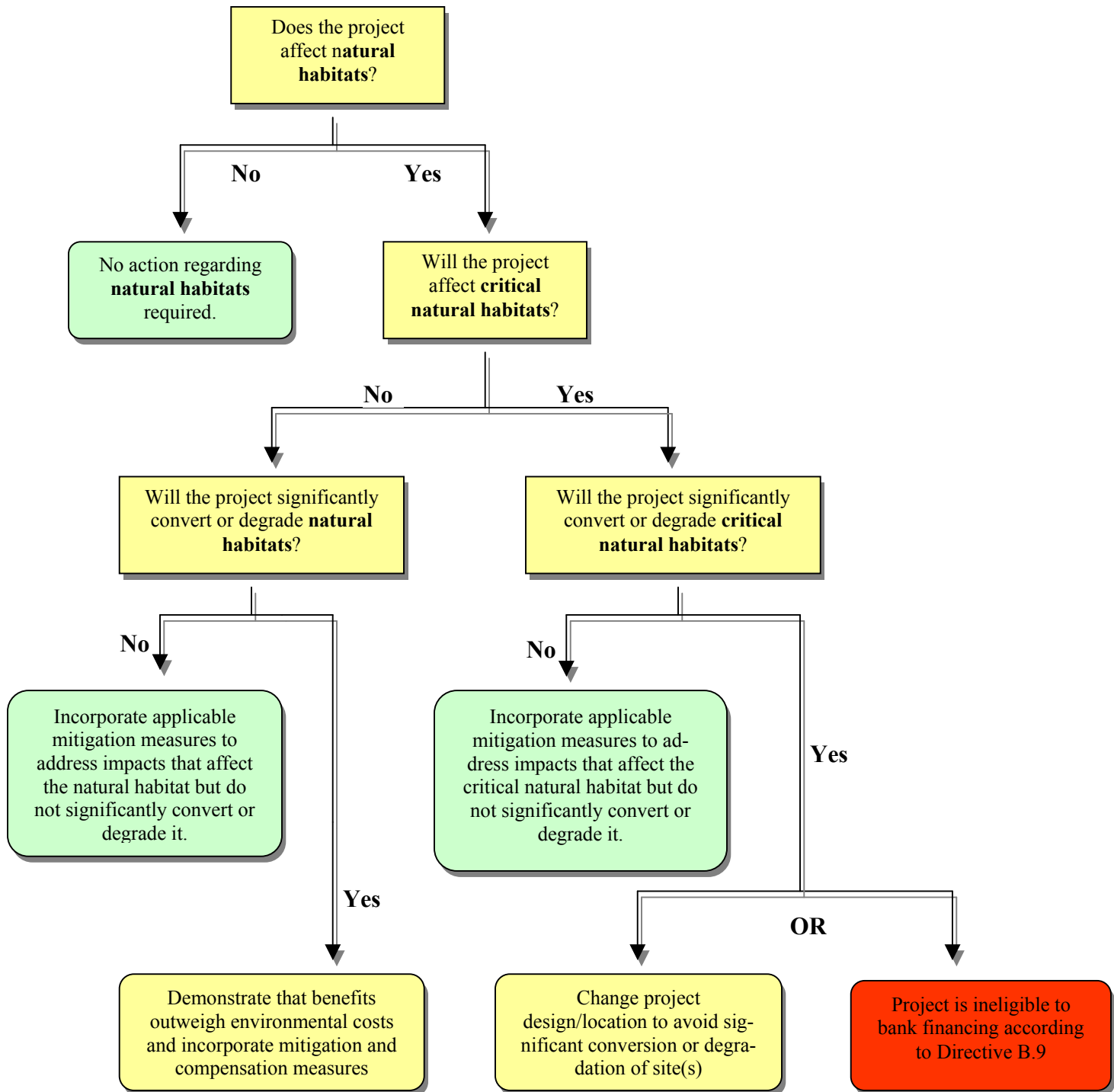
### **Chance Find Procedures**

Chance finds are the unanticipated discovery of material remains of archaeological or historical significance. Chance finds are a common occurrence in projects with large earth moving works such as dams, roads, pipelines, or in smaller projects which might be located in areas of high archaeological potential. Projects likely to encounter chance finds, should develop and implement specific procedures to handle chance finds occurrences, integrated into the project's ESMP. Category A projects should include in their EIA, when applicable, an analysis of the archeological potential of the areas of direct influence, and, as necessary, propose chance find procedures, based on internationally accepted practices.

### **C. Noncritical Cultural Sites**

Cultural sites that do not fall under the definition of "critical" should also be identified as part of the EA process and be assessed on the basis of their relative value and significance for local and affected communities. If significantly impacted, appropriate measures to protect, mitigate, or compensate noncritical cultural sites need to be integrated into the ESMP.

## Natural Habitats and Critical Natural Habitats Impacts Decision-making Tree



**POLICY DIRECTIVE B.10**  
**Hazardous Materials**

*Bank-financed operations should avoid adverse impacts to the environment and human health and safety occurring from the production, procurement, use, and disposal of hazardous material, including organic and inorganic toxic substances, pesticides and persistent organic pollutants (POPs).* The production, procurement, use and disposal of hazardous material and substances should be avoided whenever possible, and minimized in other cases. Whenever the significant production or use of a hazardous material or substance cannot be avoided, a management plan should be prepared covering their transport, handling, storage and disposal, with associated management and reporting practices including preventive and contingency measures, in consultation with potentially affected workers and communities.

Bank operation and activities should take into account international restrictions on the use of toxic substances, including the Basel Convention on the transboundary movement of hazardous wastes and the Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade. Bank investment loans will not finance the production, procurement or use of POPs, unless for an acceptable purpose allowed under the Stockholm Convention on Persistent Organic Pollutants.

The Bank promotes and encourages integrated pest management (IPM) and integrated vector management (IVM) practices to reduce reliance on synthetic chemical pesticides. The use of harmful pesticides should be avoided. Where pesticides need to be used, the operations should preferably use those that have the least adverse effects on human health, nontarget species and the environment, and their manufacture, packaging, labeling, storage, handling, use and disposal should be to appropriate standards. The Bank will not finance operations involving toxic pesticides—as defined by the World Health Organization (WHO) as classes Ia, Ib, and II—except where adequate restrictions and sufficient capacity exist within the context of the operation for their proper and safe handling, storage and application. When appropriate, and as part of strengthening safeguard mitigation measures, the Bank will support building country and executing agency capacity in managing pesticides.

**DEFINITIONS**

**Integrated Pest Management**

In order to effectively and environmentally approach to pest management, an Integrated Pest Management (IPM) is an adequate instrument that relies on a combination of common-sense practices. The main objectives of an IPM process are to minimize the risk of developing pesticide-resistant pests and reduce the use of chemical pesticides. The approach first assesses the pest situation, then evaluates the merits of pest management options, and implements a system of complementary management actions. The IPM approach can

be applied to both agricultural and nonagricultural settings.

**Integrated Vector Management**

Integrated vector management is an element of vector-borne disease control. It is an evidence-based process, with procedures for decision-making, monitor and evaluate targeted cost-effective combinations of regulatory and operational vector control measures. The main principles are adherence, subsidiary, intersect oral collaboration and partnership. The process has several attributes including environmentally sound, intersectoral, selective, targeted, cost effective and

sustainable. There is a range of interventions that include environmental management and safe and judicious use of insecticides. Also, it includes sound ecosystem and eco-epidemiological analysis, short-term and long-term implementations toward multiplication of individual interventions and prevention of setbacks.

### **Persistent Organic Pollutants**

Persistent Organic Pollutants (POPs) are specific organic compounds defined and identified per the MEA Stockholm Convention on Persistent Organic Pollutants (see Annex I for reference information).

## **PROCEDURES AND IMPLEMENTATION**

### **A. Hazardous Materials/Waste**

#### *Identification*

In the safeguard screening form, the project team, should identify whether significant production or use of hazardous materials, or any POPs, is anticipated with the project. If so, then the borrower shall review national procedures, regulations and national ratification of applicable international Conventions (i.e., the Stockholm Convention, Rotterdam Convention, Basel Convention, or the WHO's List on Banned Pesticides), in order to address the management of these substances.

#### *Consultation*

The borrower should comply with Directive B.6. The Basel Convention and the Rotterdam Convention's consultation process might apply, in cases where transboundary movement of significant quantities of hazardous substances is expected.

#### *Environmental and Social Management Plan*

When an operation involves significant quantities of hazardous materials, the borrower is responsible for preparing the ESMP, which should include: a management plan that will address identification, labeling, handling, storage, use and disposal of the relevant hazardous materials and wastes.

#### *Disposal and Destruction*

In the case that national legislations have no provisions for the disposal and destruction of hazardous materials, the applicable procedures established within the Rotterdam Convention, the Stockholm Convention, the Basel Convention, the WHO List on Banned Pesticides, and the Pollution Prevention and Abatement Handbook (PPAH), should be taken into consideration by the borrower.

### **B. Pesticides Management**

#### *Use of Pesticides*

In the safeguard screening form, the project team should identify the potential use of significant quantities of pesticides.

#### *Production or Procurement of Pesticides*

In Bank-financed projects that procure significant quantities of pesticides, these activities should be reported in pest management plan as part of the environmental assessment for the operation.

#### *Health-related Projects*

In Bank-financed health projects, environmentally benign pesticides and approaches to pest management are preferred. However, if such approaches are ineffective, the Bank, based on the EA of the operation, might finance the use of other approaches and pesticides for disease-vector control.

### **Pest Management Plan (PMP)**

The borrower is responsible for preparing a PMP when significant quantities of pesticides are used. This plan should address as a minimum the following elements: proposed applications, handling activities and plans for disposal of wastes after the Bank supported activities are completed, information on potential impacts and effects on: (i) toxicity and human health, according to the classification of World Health Organization's Recommended Classification of Pesticides by Hazard and Guidelines to Classification; (ii) target species; (iii) nontarget species; (iv) the natural envi-

ronment; and (v) environmental risk. Agreements on task, activities and budget required to handle these substances, required by the PMP will be included in the environmental and social management plan (see Directive B.5).

#### *Standards*

When local standards have not been sufficiently developed for pesticide management, the project

team should request that the implementing agency/borrower, to follow recognized international standards, such as FAO's *Guidelines for Packing and storage of Pesticides* (Rome, 1985), and *Guidelines on Good Labeling Practice for Pesticides* (Rome, 1995).

**POLICY DIRECTIVE B.11**  
***Pollution Prevention and Abatement***

***Bank-financed operations will include as appropriate, measures to prevent, reduce or eliminate pollution emanating from their activities.***

- The Bank will require clients to follow source-specific emission and discharge standards recognized by multilateral development banks. Taking into account local conditions and national legislation and regulations, the environmental assessment report or environmental and social management report will justify the standards selected for the particular operation, consistent with this Directive.
- As part of agreed mitigation measures, the Bank may require that the borrower, where feasible and cost effective, adopt cleaner production processes, energy efficiency or renewable energy.
- The Bank encourages the reduction and control of greenhouse gas (GHG) emissions in a manner appropriate to the nature and scale of operations. Operations that produce significant quantities of greenhouse gases will annually quantify direct GHG emissions, in accordance with the emission estimation methodologies of the Intergovernmental Panel on Climate Change (IPCC) or other internationally accepted methodologies.

**PROCEDURES AND IMPLEMENTATION**

The Project Team is required to process the safeguard screening form as described in Directive B.3, identifying whether significant emissions or discharges of contaminants are expected to be generated by the operation.

**Country Legislation and Local Conditions**

The operation must follow Directives B.1 and B.2 requiring compliance with this Policy and with the environmental laws and regulations of the country where the operation is being implemented.

**Emission and Discharge Standards**

For numerical standards the Bank requires borrowers to follow source-specific emission and discharge standards recognized by multilateral development banks, such as the *Pollution Prevention and Abatement Handbook* (PPAH) (section III), as available at the time an operation formally enters the Bank pipeline, which describes pollution prevention and abatement measures and rec-

ommended emission levels. The environmental assessment for the operation may recommend alternative emission levels to those recognized by multilateral development banks and/or alternative approaches to pollution prevention and abatement for the project. In such case, the environmental assessment or the Bank's ESMR, if applicable, must provide a description of what standards and/or approaches are chosen for the particular operation, project or site. The first order of reference is the PPAH, and if the pollutant is not covered by the PPAH or if the PPAH is not appropriate for a particular case, other standards recognized by MDBs should be used.

**Cleaner Production**

The borrower should explore different technologies and options for production processes, energy-efficiency, and the use of renewable energy sources in order to identify whether any cleaner options exist. When these options are cost-effective and feasible, in the opinion of the Bank, the project team should encourage the borrower to employ these options within the project.



If cleaner mechanisms are employed, the project team should report the information regarding these mechanisms in the environmental and social management report.

### **Significant GHG Emissions**

When it is determined that a project will generate significant GHG emissions, the borrower will an-

nually quantify direct GHG emissions, in accordance with the emission estimation methodologies of the Intergovernmental Panel on Climate Change (IPCC) or other internationally accepted methodologies. Emission estimations will be provided in CO<sub>2</sub> equivalent.

***POLICY DIRECTIVE B.12***  
***Project Under Construction***

***The Bank will finance operations already under construction, only if the borrower can demonstrate that the operation complies with all relevant provisions of this Policy.*** If, as part of the Bank's analysis/due diligence of a proposed operation that is already under construction, noncompliances with relevant safeguard Directives of this Policy are identified, then an action plan must be submitted to the Bank prior to Board approval of the operation. The action plan shall define the actions and associated schedule for the timely resolution of such noncompliances and include sufficient funding for its implementation.

**DEFINITION**

**Project Under Construction**

For the purpose of implementing Directive B.12, a project is under construction if, prior to entering the Bank's pipeline, the borrower has initiated major works for the projects, where initiating major works imply on site physical construction of the project. Major works exclude exploratory or preparatory activities such as building access roads, providing power supply and other associated facilities.

**PROCEDURES AND IMPLEMENTATION**

The object of this Directive is to make certain that a project under construction submitted for Bank financing meets the requirements of this Policy.

As part of the screening and scoping for environmental impacts, the project team prepares the Safeguard Screening Form (SSF) to identify key impacts and risks, and submits it with the environmental and social strategy (ESS) to the CESI, according to the procedures defined in Directive B.3. These procedures do not change for projects under construction. If the environmental assess-

ment for the operation is already completed by the borrower, the project team reviews its quality, during the environmental and social due diligence (ESDD). The ESDD for the operation is based on the impacts reported in the environmental assessment, and all those significant impacts and risks identified by the project team.

The ESDD must identify any issue that does not comply with this Policy. Some noncompliance issues may be resolved prior to Board approval, such as having consultations with affected parties as required in Directive B.6. Other noncompliance issues may require a longer time frame for resolution and/or significant resources in order to bring the project to compliance. Under such circumstances, the borrower will present an action plan to address these noncompliance issues in a timely manner. The action plan must be submitted to the Bank prior to Board approval, in order to provide the Bank with an understanding of how, when and with what resources the project will be brought to comply. The action plan must demonstrate how noncompliance issues will be addressed in a manner consistent with the requirements of this Policy, and demonstrate that sufficient funding is allocated for its timely implementation.

**POLICY DIRECTIVE B.13**  
***Noninvestment Lending and Flexible Lending Instruments***

Taking into account that the Bank may finance loans with instruments that differ from traditional investment loans, for which ex-ante impact classification may not be feasible, these lending instruments may require alternative environmental assessment and management tools to determine their level of safeguard risks and operational requirements, as described in the policy guidelines. **For policy-based loans**, the Bank will analyze during the design phase whether specific country policies and/or institutional changes supported by the operation will have significant and direct effects on the country's environment and natural resources. The appropriate sequence of actions and conditions to ensure environmental sustainability will be reflected in the corresponding action plan, as required. **For financial intermediation operations (FIs), including global credit loans**, the Bank will assess the executing agency's capacity for environmental management. The financial intermediaries will demonstrate that appropriate environmental procedures are in place so that final recipients of IDB financing are required to adopt and implement sound and adequate environmental measures. 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. **Loans that are based on performance criteria, sector-based approaches, or conditional credit lines for investment projects** may require undertaking early environmental and capacity assessments at the sector and program level, on a case-by-case basis, according to the nature of the program and the sector.

**PROCEDURES AND IMPLEMENTATION**

Noninvestment lending and flexible lending instruments such as financial intermediation loans, global credit loans, policy-based and sector adjustment loans will require completing the safeguard screening form (SSF) with the PCD as discussed in Directive B.3. The project team will submit the PCD and the SSF to the CRG and the CESI for review, however these operations will not be categorized as A, B or C for the reasons explained in the Policy. Appropriate measures to address environmental issues associated with such loans are addressed below.

**A. For Policy-based Loans (PBLs)**

*Upstream Analytical Work*

Environmental issues in policy-based loans should be addressed upstream, preferably in the context of sector analytical work, country environmental analysis and policy dialogue, as described in Directive A1.

*Screening*

As part of the screening process and at the level of the project concept document, the project team 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. Although a classification based on environmental impact assessment is not often possible for this type of operations, the level and the nature of the environmental risk will be stated in the PCDs, based on the impact screening by the Team and reported in the SSF.

For PBLs that have no environmental consequences in terms of the effects of policy changes and sector reforms, they will be treated as Category C or low environmental risk operations, following the guidelines procedures described under Directive B.3.

For PBLs that may have significant direct negative implications on environmentally sensitive

sectors such as forestry, energy, transportation, agriculture, mining, water and other natural resources, these loans will be required to adopt relevant sector analytical work and strategic environmental assessment, following the guidelines procedure describes under Directive B.5.

#### *Strategic Environmental Assessments (SEAs)*

In the context of PBLs, SEAs constitute an analytical tool for decision-making and process management to determine policy and institutional enabling conditions needed to promote long-term social and environmental sustainability. For PBLs that will require the use of SEAs, project teams should summarize in the project document relevant analytical knowledge of likely environmental impacts, as well as the borrower's capacity for managing adverse effects, and enhancing positive outcomes.

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.

#### *Loan Documents*

Loan documents and the Policy matrix should incorporate appropriate disbursement and policy conditions to address the environmental issues and opportunities identified under the SEA.

#### *PBLs with Investment Components*

If investment components are included in the program, then these investments should follow the required environmental impact assessment for investment loans as described under Directive B.3, whenever significant environmental and/or associated social impacts are expected.

## **B. For Financial Intermediary Operations and Global Credit Loans**

Public sector and private sector financial intermediaries (FI) operations may be undertaken by the Bank with and without sovereign guarantees. FI operations range from transactions with low or minimal associated environmental impacts or risks, such as trade finance, mortgage backed securities, financing microenterprises to FI operations with potential more complex or significant environmental impacts or risks, such as loans to FIs for on-lending to large-scale infrastructure projects or other sectors with potential environmental impacts. The Bank's environmental requirements need to be tailored to properly reflect this diversity of risk, ranging from simple requirements and procedures to more sophisticated environmental management systems.

As part of the screening process and at the level of the project concept document, the project team should state the potential level of environmental impacts and risks associated with the FI operation and the proposed actions for the Bank's environmental and social strategy (i.e., environmental analysis/due diligence). This analysis should reflect the FI operation, the relevant FI environmental policies and procedures, and the FI or other relevant institutional capacity.

For FI operations with no or minimal risk, the Bank basically requires that the operation comply with applicable local environmental legislation and FI standard in-country practices related to environmental aspects. These operations will not require review by the CESI beyond submitting the PCD and safeguard tracking form.

For FI operations with moderate risk, the Bank should normally require that the FI implements a procedure regarding environmental risk management, and such procedure be commensurate to the impacts and risks of the activities financed. This procedure should consider compliance with local applicable environmental legislation and institutional capacity.

For FI operations with significant risk, the Bank should normally require that the FI develop and implement an environmental management system

(EMS) that is commensurate with the FI risks and impact. The objective of an EMS is to properly identify, assess, mitigate and monitor the potential environmental impacts and risks associated with projects financed with IDB funds through the FI. An EMS should include a policy and requirements, process, resources, and review and reporting.

Relevant obligations should be included in FI project documents and agreements. The Bank will monitor environmental aspects of FI operations as part of the Bank's loan supervision and evaluation, and in a manner consistent with the level of environmental risk.

#### *Existing Environmental Safeguard Procedures for Certain FI Operations*

The Bank has existing guidelines and procedures for several specific FI operations, which will continue to be applied until these are revised after a full review of past Bank experience in implementing environmental safeguards for FI operations. These are:

- For *microenterprise FI operations*, the Bank may provide loans through the Social Entrepreneurship Program (SEP) and the Multilateral Investment Fund (MIF). Different types of microenterprise 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 microenterprises, specifically for *small and medium enterprises* (SMEs). The MIF is a special fund administered by the IDB, which 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 fund-

ing 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*.

#### *Review and Update of FI Procedures*

In 2007 the Bank will review its existing guidelines and past experience in the implementation of environmental safeguards for FI operations, will check compatibility with the Policy Directives, and will revise guidelines accordingly, as required.

### **C. For Conditional Credit Line for Investment Projects, Sector-wide Approaches, and Performance-driven Loans**

#### *Conditional Credit Lines for Investment Projects (CCLIP)*

With respect to the CCLIP, project teams will follow its specific guidelines, which outline the environmental procedures to be followed when using this instrument. These guidelines are consistent with the requirements of this Policy. These guidelines include considerations for the preparation of the strategic environmental assessment process adapted to the characteristics of the CCLIP, when necessary.

#### *Sector-wide Approaches (SWAs)*

As indicated in the "Proposal for Sector-wide Approaches (SWAs)" (GN-2330-6), the SWAp would be subject to social and environmental standards that are consistent with the environmental and social safeguards of its financiers and of this Policy. In keeping with the spirit of a SWAp, the Bank and other development partners would rely on borrower systems to the extent possible. If in-country systems are adopted, then the provisions of Directive B.16 of this Policy apply.

For SWAs that may have significant environmental implications and risks, during the preparation phase, a strategic environmental assessment at the sector and program level would be under-

taken in consultation with stakeholders. The assessment would identify the appropriate enabling conditions for environmental sustainability, and would examine the policy framework and the implementation effectiveness of the necessary environmental standards, norms, and regulations for the sector. The assessment would also cover the overall management mechanisms, including the institutional capacity of the sector agencies to address environmental and social issues, impacts and risks. If the strategic environmental assessment reveals weaknesses, the government, all financiers and other key stakeholders would agree on a plan to ensure environmental sustainability and to meet the standards of this Policy, as indicated in Directive B.16.

#### *Performance-driven Loans*

A performance-driven loan (PDL) is an investment loan that disburses once the project or program's actual developmental results or outcomes are achieved, and the Bank has verified the expenditures incurred to reach those outcomes. In keeping with the spirit of a loan that disburses against outcomes, the PDL promotes moving towards the use of in-country financial and monitoring/evaluation systems. The PDL is not required to follow Bank procurement policy.

Performance-driven loans may have certain safeguard issues, but these can only be determined through analytical approaches as part of the operation. The project team will provide during project preparation specific reviews of environmental issues and when appropriate, safeguard performance targets as follows:

- Determine whether achieving project outcomes is likely to cause significant effects on the country's environment and natural resources by conducting appropriate analytical work including environmental and capacity assessments (which can be based on work undertaken at the country strategic level as discussed in Directive A.1).
- For operations that may have significant direct environmental implications, incorporate specific measures to ensure compliance with environmental performance standards and safeguards, such as specific reporting requirements and the incorporation of appropriate indicators that can be monitored over time.
- The use of in-country systems (Directive B.16) for identifying and managing environmental and social impacts for the projects or programs financed with the new lending instruments or modalities would be consistent with the Bank's initiative to move forward in the use of in-country procurement and financial management systems. This should be an important consideration for project teams preparing these loans.
- The Bank will periodically review the environmental and social impact requirements for the new instruments approved in the New Lending Framework to ensure that these requirements are consistent with the appropriate nature of these instruments.

**POLICY DIRECTIVE B.14**  
**Multiple Phase and Repeat Loans**

*Where there are significant environmental liabilities remaining from previous phases of a multi-phase operation or from a recently completed Bank-financed operation by the same executing agency/borrower, the executing agency/ borrower must take appropriate action to remedy such liabilities, or agree with the Bank on an appropriate course of action consistent with the executing agency's/borrower's responsibility, prior to the Bank's decision on a new phase or loan. If warranted by the nature of the operation, an environmental audit will be required to identify shortcomings and solutions to address them.*

**PROCEDURES AND IMPLEMENTATION**

A borrower may ask the Bank for a new loan in order to continue investing in similar activities implemented under a previous loan (i.e., a “repeat loan” in this Policy).

For a repeat loan, project teams will follow the regular safeguard process and procedures as it applies to any new loan as established under this Policy. However, the review process will additionally verify whether *significant environmental liabilities* remain from the previous loan.

This requirement of verifying the significant environmental liabilities of a previous loan will only apply when:

- The *borrower is the same* for the previous loan and for the repeat loan.
- The *new loan has the same general objective* as the previous loan.
- The *previous loan has not been completed* (defined as the date of the approval of the loan's PCR) *more than three years prior to the request* by the borrower for a new loan.

Assessment of environmental liabilities (by the project team) should review the requirements of the environmental and social management plan for the previous operation, if available. The assessment should also include compliance with specific loan contract conditions or operating regulations if

applicable, and use as input, when available, the PPMR and PCR reports. When there is no clear documentation or evidence that the environmental and social requirements for the operation have been met, the project team may decide to undertake additional field visits, or an environmental audit of the previous loan, to evaluate whether and to what extent are significant environmental liabilities present.

If significant environmental liabilities (*pasivo ambiental*) are identified, as evidenced from the above reviews, the borrower must take appropriate action to remedy such liabilities. Alternatively, the Bank and the borrower may agree on an appropriate action plan to remedy the identified liabilities. The remedial actions by the borrower, or the action plan must be agreed before submission of the new operation to the Board. The agreed action plan must include detailed remediation measures, the responsibilities for executing such measures, the schedule and the budget to solve the significant environmental liabilities identified. The borrower will not be responsible for actions that are beyond its scope of responsibilities.

As part of any remedial action plan, if needed and agreed with the borrower, the Bank may provide additional financing or technical assistance to facilitate compliance with outstanding environmental liabilities. In justified circumstances, the Bank may also add into the loan contract or operating regulations for the new loan stipulations concerning these actions, if the borrower and the

Bank concur that they can only be accomplished under the new financing.

The Bank also provides lending for multi-phase programs in which second or subsequent phases of a loan are triggered by the fulfillment of agreed benchmark indicators. In cases of multi-phase loans, the review of trigger indicators to pass to a subsequent phase must include assessing compliance with environmental provisions recommended during the previous phase(s), if any. The project team is responsible for this assessment, and should provide recommendations, as needed, before the project team requests Board approval for financing of a subsequent phase. The CESI will review the documentation submitted by the pro-

ject team and provide the Loan Committee with its recommendations regarding the adequacy of the information submitted, compliance with the environmental provisions; and the recommended measures for subsequent phases.

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 to the contract for all phases of that multi-phase operation. However, for any new loan the Bank safeguard requirements of this Policy apply.



**POLICY DIRECTIVE B.15**  
**Co-financing Operations**

*For co-financing operations, the Bank should 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 convergence and harmonization efforts among the multilateral financial institutions, bilateral donors and other private and public partners.

**PROCEDURES AND IMPLEMENTATION**

**Explanatory Note**

Co-financing can occur under two circumstances: (i) the financial resources from the co-financiers are considered counterpart funds, and therefore become an integral part of the total project cost (e.g., a dam being financed with funds from different sources), or (ii) the financial resources fund separate components of an operation or program, 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 (e.g., different parts of a road

project that are funded by different institutions as a separate loan).

In both co-financing approaches described above, the project team will collaborate with borrowers and participating lending institutions during the project preparation process to seek harmonization of environmental assessments, disclosure of information, consultations and other EA processes and procedures applicable to the project. The project team should confirm in the loan document and, as appropriate, in the ESMR, that these harmonized procedures for the operation are equivalent with those of this Policy.

**POLICY DIRECTIVE B.16**  
***In-country Systems***

*In the context of individual operations, the Bank will consider the use of the borrowing member countries' existing systems of safeguards for identifying and managing environmental and social impacts.* This will apply when the Bank has determined that the borrowing member country's system is equivalent or superior to the Bank's. Equivalency will be analyzed on the basis of each relevant safeguard for the selected operation. The Bank will be responsible for determining equivalence and acceptability and for overseeing compliance with this Policy.

In cases where the Bank is considering the use of a borrowing member country's systems, the verification of equivalence will be included as part of the project report submitted for approval.

If the verification reveals gaps for specific safeguard requirements, the Bank and the borrower may agree on an action plan with sufficient resources allocated to it. The action plan, to be approved by the Board, shall demonstrate the necessary measures to achieve and maintain equivalence with IDB standards, consistent with the Policy directives. The Bank shall support the borrowing member country's capacity development needs to ensure acceptable safeguard implementation consistent with the agreed action plan. If, during the course of project implementation the Bank verifies equivalence in additional elements of a borrowing member country's systems, in accordance with Management guidelines, a change may be authorized in the contractual conditions. The Bank will use its own systems in areas where the borrowing member's systems are not deemed equivalent, and the delineation between safeguards under Bank or country systems will be reflected in the borrower's contractual obligations to the Bank.

Management will report to the Board of Executive Directors the results of the experience with country systems' use no later than three years after the effective date of this Policy.

**DEFINITION OF IN-COUNTRY SYSTEM  
OF SAFEGUARDS**

For purposes of the Policy, the in-country safeguards systems consist of the set of laws, regulations, institutions, and procedures that countries currently apply as part of their environmental management, and which correspond to the safeguard requirements established under Directives B3 to B11 of the Bank's Environment Policy. Specifically, the safeguards refer to the following:

- B.3. Environmental impact screening and classification of operations.
- B.4. Management of risk factors other than environmental impacts.
- B.5. Environmental assessment requirements.

- B.6. Consultation and disclosure requirements.
- B.7. Supervision and compliance.
- B.8. Transboundary impacts.
- B.9. Natural habitats and cultural sites.
- B.10. Hazardous materials.
- B.11. Pollution prevention and abatement.

Directives B.3 and B.4 are internal Bank obligations associated with the screening and classification of operations, and as a result the analysis of equivalence and acceptability will mostly apply to Directives B.5 to B.11.

## PROCEDURES AND IMPLEMENTATION

### Eligibility Criteria

In order for the Bank to consider the use of in-country systems for an operation, the following considerations apply.

Initially, only operations classified as B and C (see Directive B.3) might be considered for the use of in-country systems. Once the Bank develops sufficient experience and capacity in implementing this Directive with Category B and C projects, then Category A projects will be acceptable for review in the use of in-country systems. Bank Management will determine when sufficient experience has been developed.

The in-country system analysis required for the implementation of this Directive applies to *specific operations only*, on a case-by-case basis. For example, two operations in the same country may require two separate in-country system analyses depending on the nature of the operations, the sector, and institutional set-up. This analysis does not represent a broad certification of a country's environmental system. It only verifies that the country's in-country system for a particular Bank's safeguard or set of safeguards that are relevant for that operation, is *equivalent* and *acceptable* to the Bank.

The borrower must request the Bank the use of a country system regarding a *specific safeguard or set of safeguards*. For example, a country may request the Bank to consider, for a given operation, the use of that country's environmental system, norms and standards regarding pollution prevention and abatement (Directive B.11). In order to be submitted for consideration by the Bank, the analysis of in-country system must demonstrate, for any given operation, to be *equivalent* to the Bank's requirements and *acceptable* in its implementation capacity. The Bank determines both *equivalence* and *acceptability*.

### Analysis of Equivalence

The in-country system is considered *equivalent* for a specific safeguard if it achieves the objectives and adheres to the applicable operational

principles associated with a specific safeguard. For example, the analysis of equivalence of the country system regarding pollution prevention and abatement (Directive B.11) would consist in reviewing the country's applicable pollution prevention laws and regulation in the context of a specific operation and comparing it to the requirements of Directive B.11.

The project team, as part of its environmental due diligence during project design will perform an analysis of equivalence to verify whether the country's own environmental safeguards to be applied to the operation are consistent with the specific safeguard requirements of the Bank's Policy. The equivalence analysis centers on comparing the set of laws, norms, standards and enforcement procedures with each of the applicable Bank's safeguard requirements.

### Analysis of Acceptability

Following the equivalence analysis, which focus on the existence of legal instruments, the acceptability analysis focuses on implementation practices, track record, and capacity of relevant country institutions to implement, enforce, and apply the safeguard operational principles mentioned above. The Bank is developing a detailed guidance document that will present a methodology to analyze and address capacity assessment of borrowers.

### Process

#### *Considerations During Project Design and Approval Process*

The safeguard screening form for the PCD (see Directive B.3) will specifically indicate if in-country safeguard systems analysis is requested for the operation, specifying which Policy Directive is involved.

The Bank's analysis of *equivalence* and *acceptability* must be executed early in the project cycle, in collaboration with the country's institutions, in order to provide the project team with direction regarding the use or not of in-country system, for specific safeguards. In practice, the Project Team is responsible for, and initiates the safeguard

equivalence and acceptability analysis, at the request of the borrower.

An environmental specialist in the project team must be assigned to execute the equivalence analysis and determine acceptability. The CESI will provide guidance to the project team, if requested, and review the general content and key aspects of the analysis as presented in the ESMR for the operation.

The analysis of equivalence of borrower system and acceptability of borrower implementation practice will be made public as part of the ESMR, according to the requirements of the Disclosure of Information Policy (OP-102).

The verification of equivalence/acceptability will be included as part of the project report submitted for review and approval to the Bank. Contractual conditions for the loan will incorporate any requirement deemed necessary for an effective use of the country system.

#### *Addressing Gaps in Equivalence and/or Acceptability Analysis*

The analysis may identify gaps between the Bank's safeguards and the country system, whether in terms of equivalence and/or acceptability. Certain gaps may be resolved during the preparation of the operation, others might take a longer time to be resolved.

In cases where the equivalence/acceptability analysis determines that the normative, procedural or performance gaps *cannot* be bridged before the borrower undertakes the execution of relevant operational activities, then the operation must revert to the Bank's safeguards, as determined in Directives B.3 to B.11.

In cases where the equivalence/acceptability analysis determines that the normative, procedural or performance gap *can* be bridged before the borrower undertakes the execution of relevant operational activities, the executing agency/private sector borrower will prepare an action plan to effectively bridge the identified gap(s), in agreement with the project team.

The Action Plan will have sufficient funding allocated, and its requirements will be integrated as conditions into the loan contract. Disbursement conditions must be specified as appropriate. The Action Plan must include monitoring and reviewing performance for results during the execution of the operation (see Directive B.7).

The Bank will support the borrowing member country's capacity development needs to ensure acceptable safeguard implementation consistent with the agreed action plan. This may take the form of activities/components within the operation, or a separate operation/technical cooperation to address the activities identified in the Action Plan.

#### *Considerations During the Execution Phase*

If the Bank approves the use of a safeguard in-country system for an operation, then the Bank will be responsible for overseeing compliance during the implementation of the operation. The PPMR should reflect compliance issues during implementation. The PCR should provide a critical synthesis of the experience in the use of in-country system for that operation, which will serve as input for the report by Management to the Board of Executive Directors, three years after the effective date of the Policy (July 19, 2009).

#### *Changes During Execution*

At the request of the borrower, the Bank may verify equivalence/acceptability of additional safeguards of a borrowing member country's systems during the course of project implementation. If, equivalence/acceptability in additional safeguards are identified in accordance with the Policy and the procedures above, a change may be authorized in the contractual conditions for that operation. Such change would require to revise and amend the legal agreements applicable to the operation. Management documents will explain and justify the changes, and submit the information to the Board, on a nonobjection basis.

Conversely, if during the course of project implementation, equivalence/acceptability is diminished in a manner inconsistent with the contractual requirements, due, for example, to amendments in the applicable national laws or the weakening of

environmental regulations, or reduced capacity of the responsible institutions, this may constitute ground for contractual noncompliance. The applicable Bank procedures for such circumstances will apply.

In three years, Management will report to the Board of Executive Directors its experience in the use of in-country systems for safeguards (no later than July 19, 2009).

**POLICY DIRECTIVE B.17**  
**Procurement**

*Where agreed with the borrower, suitable safeguard provisions for procurement of goods and services in Bank-financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.* The Bank will foster approaches that help provide goods and services procured under Bank-financed operations that are produced in an environmentally and socially responsible manner, in terms of resource use, the work environment, and community relations. Bank procurement procedures will include a Bank-approved exclusion list of environmentally harmful products. The Bank should encourage borrowers and executing agencies to procure environmentally responsible works, goods and services, which in the Bank's opinion are consistent with the principles of economy and efficiency. Environmentally responsible procurement experience and practices will be shared with borrowing member countries and other multilateral financial institutions, to promote harmonized approaches.

**PROCEDURES AND IMPLEMENTATION**

This Directive encourages operations to incorporate goods and services that are environmentally and socially responsible.

Project teams and the borrower may agree on adopting specific environmentally responsible procurement measures, conditions or standards for a given operation, in additions to mitigation measures addressed as part of the environmental

assessment process. In such cases, suitable provisions will be included in the loan document or operating regulations as well as bidding documents, consistent with the agreement reached.

To the extent that those procurement measures are spelled out in loan documents, operating regulations and bidding documents, the Bank will ensure that those commitments are complied with during project execution within the existing regular project supervision and procurement process.

## Annex I

### Key Multilateral Environmental Agreements (MEA)

#### A. MEAs 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>

#### B. MEAs 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>

**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 pre-

vent, 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](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 waste; minimize the hazardous waste 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>

**Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade** (1998). The Rotterdam Convention enables the world to monitor and control the trade in certain hazardous chemicals. It is not a recommendation to ban the global trade or use of specific chemicals. It is rather an instrument to provide importing parties with the power to make informed decisions on which chemicals they want to receive and to exclude those they cannot manage safely. If trade takes place, requirements for labeling and provision of information on potential health and environmental effects will promote the safe use of these chemicals.

<http://www.pic.int/index.html>

**Stockholm Convention on Persistent Organic Pollutants** (2001) 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/>

### C. Other Relevant MEAs

**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](http://whc.unesco.org/world_he.htm)



## Annex II

### Environmental Assessment and the EIA

#### **The EA Process and EIA Report**

The EA process is under the responsibility of the borrower, as defined in Directive B.5. The EA process 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 EIA report must indicate to decision-makers, the public and affected parties that its review process was carried out according to good professional practices. The predictions, analysis and recommendations provided by the EIA report consolidate the scientific studies and techniques carried out during the environmental assessments studies or review process.

For the purpose of this Policy, the EIA report includes information on the following topics, as appropriate, in relation to specific projects: 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 hazardous substances; major hazards; occupational health and safety; socioeconomic impacts; land acquisition and land use; involuntary resettlement; impacts on indigenous peoples and communities; cumulative impacts of existing projects and proposed project; consultation 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 waste management.

#### **A.1 Scoping**

1. This preliminary assessment by the borrower 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 and holding discussions with agencies and organizations linked to the project.
2. The results of the scoping phase may be presented in the form of Terms of Reference (TORs) for the EA. The TORs state the purpose of the EA, provide a brief description of the project to be assessed and explain the executing arrangements for the EA. The TORs include 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, including all associated works 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; the key issues to be addressed, the public consultation program, and the schedule and deliverables of the EIA study and report.

#### **A.2 Consultation and Information Dissemination (see also Directive B.6)**

3. The Bank requires public consultation as part of the environmental assessment process for Category A and B projects. The borrower must consult with affected parties to solicit their informed views and opinions. This usually requires, for Category A projects, in the early stages, providing sufficient

information about project screening results and at later stages opportunities to review the EIA report.

4. The EIA results are to be made available in a timely manner and in location(s), format(s) and language(s) that allow relevant parties to form an opinion and comment on the proposed course of action. To the extent applicable and practicable, a public consultation plan should be included in the TOR for the EIA that defines participation objectives and methods for accomplishing this task.

### **A.3 Examination of Alternatives**

5. 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.

### **A.4 Impact Identification and Analysis**

6. The impact analysis provides sufficient information to predict changes over time regarding various environmental and associated social aspects of a proposed project. The prediction of the nature, extent and magnitude of environmental and associated social 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 are required to generate sufficient environmental and socioeconomic information on baseline conditions and/or impacts. 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. In many cases field investigations will be required to generate more detailed information. Specific TORs, with details regarding specific areas of focus (e.g., hydrology, soil stability, water quality) including methods required to collect, present and portray such data and information are necessary. All field-based information requires generation of quality maps, with specifications to be clearly explained in the TORs.

### **A.5 Impact Mitigation (see also Directive B.5)**

7. The project’s proposed mitigation measures must encompass all actions taken to avoid, eliminate, offset or reduce potentially adverse environmental and associated social 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 nonstructural. Nonstructural measures<sup>3</sup> 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.

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<sup>3</sup> These nonstructural measures are outside the responsibility of private sector borrowers.

Compensation may occur when an environmental and associated social impact cannot be avoided or mitigated.

#### **A.6 Economic Analysis**

8. The Bank mandates performing economic analysis to assess the overall economic viability of projects. Category A operations should include an economic analysis, to the extent applicable and 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 considers a range of costs and benefits using relevant economic values. When benefit estimation is not possible, other methods could be used, such as cost-effectiveness analysis and/or use detailed qualitative information, to assess the economic implications of the alternatives.

#### **A.7 Environmental and Social Monitoring (see also Directive B.5)**

9. These monitoring activities, undertaken by the borrower, should ensure compliance with provisions contained in the project Environmental and Social Management Plan (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, and verify fulfillment of the commitments stated in the ESMP.
10. Environmental monitoring may 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, as applicable: (i) the extent and severity of the environmental impacts against the predicted impacts; (ii) the effectiveness of the environmental protection measures or compliance with pertinent rules and regulations; (iii) the trends in relevant impacts; and (iv) the overall effectiveness of the project ESMP.

#### **A.8 Preparation of an EIA Report**

11. A standard EIA report contains sufficient details under the main sections as listed below (see last section for contents of the EIA report):
  - Section 1 – Executive Summary
  - Section 2 – Project Objectives and Description
  - Section 3 – Policy, Legal and Regulatory Framework
  - Section 4 – Environmental and Associated Social Conditions
  - Section 5 – Environmental Impacts
  - Section 6 – Analysis of Alternatives
  - Section 7 – Environmental and Social Management Plan
  - Section 8 – Public Consultation and Disclosure

## **Contents of the EIA Report**

### **Section 1 - Executive Summary**

Designed to be a consultation document and should be available in the language most used by the project's affected parties and the national language. It contains a concise statement of the project objectives and a brief project description in addition to a description of key project findings and recommendations for environmental management.

### **Section 2 - Project Objectives and Description**

This section describes the need for the project in the context of the local and national situation and strategy. The effect on economic and social development goals of the locality, country and region are described. If the project is an element of an overall development program in the area, then a description of the other program elements must be presented. A physical and engineering description of the project is also provided focusing on the project components and/or actions more likely to cause socio-environmental impacts

### **Section 3 - Policy, Legal, Institutional and Regulatory Framework**

Environmental requirements in each country that are applicable to the project are described and analyzed, including a brief description of the permitting and licensing procedures. If applicable, summaries of the requirements of any co-financing institutions also should be included. Relevant MEAs are to be described.

Tables should be used to list applicable standards and note which authorities are responsible for their application. Refer to Directive B.11.

### **Section 4 - Environmental and Associated Social Conditions**

This section includes descriptions of the area of influence (direct and indirect) or study area (which are ideally determined at initial scoping) and the relevant physical, biological and socioeconomic conditions. The information/data presented must be relevant to decision-making regarding project location, design, operation, and mitigation measures for adverse impacts.

Appropriate baseline data is not always readily available. It may be necessary to initiate a monitoring program for collection of baseline data prior to initiating the formal EA study, or as part of the EA study. Many countries will have meteorological data or other scientific data collected by various government research institutions. Where more detailed information is required (if significant effects on an important natural or cultural resource are anticipated, for example), there will often be previous studies of local conditions prepared for international agencies, unpublished information in government departments, universities, and PhD theses.

### **Section 5 - Environmental Impacts**

A prediction of the changes in the environment resulting from project construction and operation is to be considered, and an assessment of the effect on the surrounding physical, biological, and human systems, should be presented. Emphasis should be given to the quantification and mapping of all significant impacts. When the quantification is not feasible, a detailed qualitative description may be acceptable. This section also identifies and estimates the uncertainties associated with pre-

dictions, and specific topics that do not require further attention based upon the extent and quality of available data.

### **Section 6 - Analysis of Alternatives**

This section provides a description of relevant possible alternatives to the project/project design (including the 'no action' alternative). These may include alternative location, site layout, technologies, design options, and management systems. The reasons why the various alternatives considered were rejected should be documented. To the extent applicable and feasible, an economic analysis may be used to provide further understanding of these options.

### **Section 7 - Environmental and Social Management Plan (ESMP)**

This section includes details of the management initiatives to be implemented during both the construction and operational phase of the project. ESMPs describe the mitigation measures and monitoring requirements agreed during the environmental assessment process and provide the framework for their implementation in subsequent stages of the project. ESMPs also describe the institutional arrangements, where necessary, and capacity building needed to carry out required mitigation and enhancement measures and put appropriate monitoring programs in place. ESMPs outline responsibilities for public consultation and disclosure, and describe mechanisms for feedback and remedial action. They also indicate the estimated costs of these activities.

### **Section 8 - Public Consultation and Disclosure (also see Directive B.6)**

Description and details regarding (i) process and methodology to consult affected parties in project design and continue public consultation; (ii) comments and feedback (formal written, group meetings, presentations, etc.); (iii) documents, media programs, flyers and other information provided to promote public consultation; and (iv) significant stakeholders' positions and responses to the project.