

SAFEGUARDS AND SUSTAINABILITY SERIES

Volume 2, Issue 1, December 2015

Integrated Safeguards System Guidance Materials

Volume 1: General Guidance on Implementation of OS 1



AFRICAN DEVELOPMENT BANK GROUP

Quality Assurance and Results Department (ORQR)
Compliance and Safeguards Division (ORQR.3)

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Safeguards and Sustainability Series: Integrated Safeguard System Guidance Materials

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Acronyms and Abbreviations

ARAP	Abbreviated Resettlement Action Plan	ISS	Integrated Safeguards System
CSP	Country Strategy Paper	ISTS	Integrated Safeguards Tracking System
DFI	Development Financial Institution	MDB	Multilateral Development Bank
ESA	Environmental and Social Assessment	IDEV	Operations Evaluation Department
ESAP	Environmental and Social Assessment Procedures	OPSM	Operations of Private Sector and Microfinance
ESCON	Environmental and Social Compliance Note	ORQR.3	Compliance and Safeguards Division
ESCR	Environmental and Social Completion Report	OS	Operational Safeguard
ESIA	Environmental and Social Impact Assessment	PAR	Project Appraisal Report
ESMF	Environmental and Social Management Framework	PBO	Program-Based Operations
ESMP	Environmental and Social Management Plan	PCN	Project Concept Note
ESMS	Environmental and Social Management System	PCR	Project Completion Report
ESS	Environmental and Social Scoping	PEN	Preliminary Evaluation Note
ESSM	Environmental and Social Scoping Memorandum	PIC	Public Information Centre
E&S	Environmental and Social	RCM	Request for Categorization Memorandum
FI	Financial Intermediary	RISP	Regional Integration Strategy Paper
FRAP	Full Resettlement Action Plan	RMC	Regional Member Country
GECL	General Counsel and Legal Services Department	SESA	Strategic Environmental and Social Assessment
IPRR	Implementation Progress and Results Report	TOR	Terms of Reference
IESIA	Integrated Environmental and Social Impact Assessment	VCM	Validation of Categorization Memorandum



FOREWORD

The African Development Bank has revised its existing Integrated Environmental and Social Impact Assessment (IESIA) Guidelines which dates back to October 2003. The IESIA Guidelines are intended to be used as a systematic process for addressing projects' environmental and social impacts with clear understanding of the specific sector characteristics. The IESIA guidelines reflect the scope and content of the new Integrated Safeguards System and Operational Safeguards as well which have been adopted by the Bank in December 2013.

Tremendous practical knowledge, resources and best practices have been used in developing these guidelines which are brought to best international standards. They are intended for national Environmental and Social Assessment practitioners, process managers as well as Bank staff with the intention of:

- Assisting in the project design at early stages, as many potential adverse impacts can be avoided or mitigated by modifying or adding certain project components to the initial design. As well, improvements in the project design can enhance several beneficial impacts at a minimal cost.
- Providing necessary guidance on how to adequately consider the Bank's priority safeguards themes in both the preparation and assessment phases. Thus the staff of the Bank and RMCs should refer to the IESIA Guidelines from the beginning of the project cycle to the end.

The IESIA guidelines are published in the Safeguards and Sustainability Series in three sets:

- Volume 2 Issue 1 containing 10 general guidance notes on ESA – responding to the requirements set out in OS1, providing specific guidance in the form of checklists on specific themes and requirements in the OSs as well as on sector-specific assessment issues. The guidance notes cover environmental mainstreaming, strategic assessments, impact assessments, environmental management plans, and environmental management systems, supervision of compliance and use of country systems.
- Volume 2 Issue 2 which deals with Sector Keysheets for 27 sectors and sub-sectors including

transport, power generation, sustainable land and natural resources management, oil and gas, urban and rural water supply and sanitation as well as social infrastructure.

- Volume 2 Issue 3 providing 10 specific guidance notes on specific OS requirements such as consultation, working with vulnerable groups, and grievance mechanisms. Some address specific areas of environmental and social risk not previously covered by Bank policies, such as cultural heritage, environmental flows, biodiversity, labor standards, HIV AIDS, dams and large scale land acquisition. These are not “manuals” but provide sufficient information to enable Sector Department staff to understand fully the requirements of the Oss.

This new set of guidance materials has which will be completed with other items and updated using new knowledge and emerging best practices as it a leaving material has three critical advantages:

- It provides a system of technical support both for its own staff and for borrowers or clients to cover not only project preparation but also implementation – with a new emphasis on monitoring, reporting and supervision,
- Puts in place a dynamic and customized resource that can respond to current needs and be adapted to future safeguard implementation challenges faced by Bank staff, in both regional and sector departments, and its borrowers or clients; and,
- Offers a basis for capacity building in the Bank and in RMCs with respect to implementing the safeguards.

The Bank hopes that the provision of high quality technical guidance is key to ensuring effective compliance, capacity and ownership of the ISS for Bank staff and borrowers alike. Therefore, it is our hope that Regional Member Countries will optimally use them when undertaking Environmental Assessments for Bank financed projects/programs. The Bank encourages its own Operational staff to refer to it when reviewing and clearing ESA studies and in project supervision.



EXECUTIVE SUMMARY

Context and process

The African Development Bank (the Bank) is introducing the Integrated Safeguards System (ISS) to update and articulate more clearly its environmental and social safeguards to support inclusive and sustainable growth in the region. The ISS consists of four interrelated components (Figure 1):

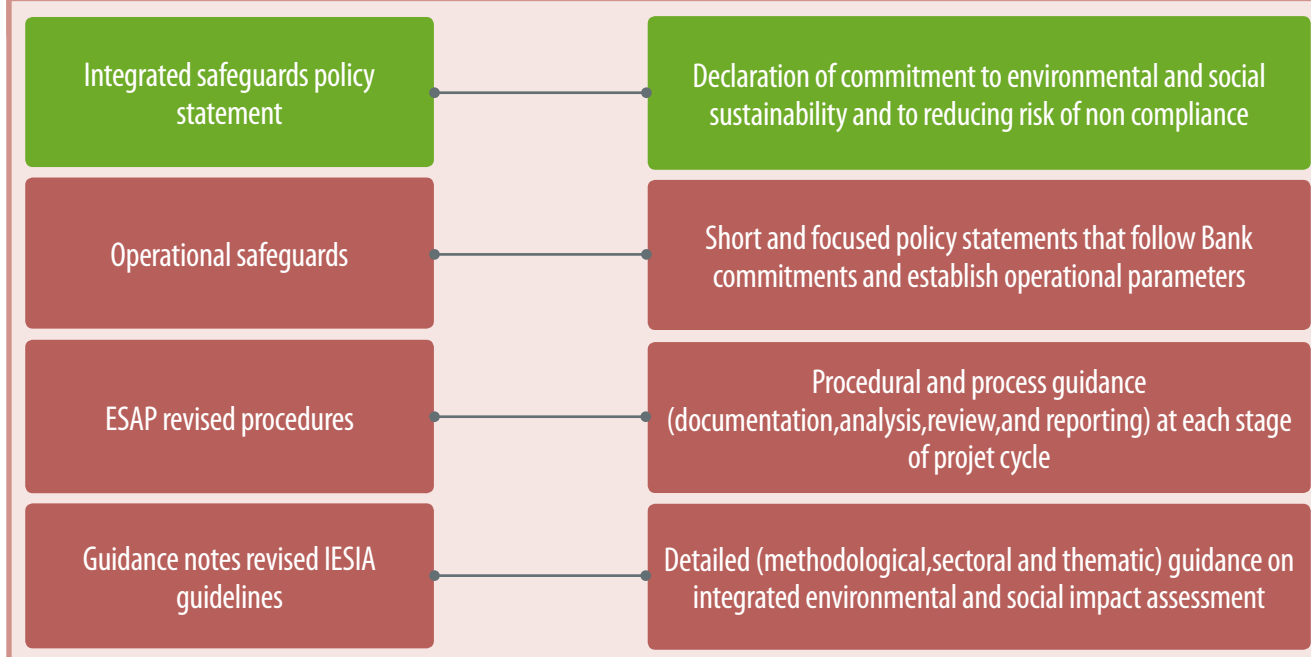
- An Integrated Safeguards Policy Statement declaring the Bank's commitment to environmental and social sustainability and the management of risks associated with non-compliance with the Bank's Policies and Procedures;
- Operational Safeguards (OSs) – which are a set of brief and focused policy statements that clearly set out the operational requirements with which Bank-financed operations must comply; and
- A revised set of Environmental and Social (ESAPs) that will provide information on the specific procedures that the Bank and its borrowers or clients should follow to ensure that Bank operations meet the requirements of the OSs at each stage of the Bank's project cycle.

- Integrated Environmental and Social Impact Assessment (IESIA) Guidance Notes that provide technical guidance for the Bank and its borrowers or clients on safeguards instruments, methodological approaches and specific topics or project types relevant to meeting the new OSs.

The first two components of the ISS were approved by the Board in December 2013 and became operational in July 2014. The last 2 components have been adopted by OpsCom in October 2014.

The development of the ESAP and the IESIA Guidance Notes have benefitted from Bank-wide consultations on the ISS and reflect the guidance provided during these consultations. Training sessions have been carried out at the HQ on the documents for Task Managers and Environmental and Social Safeguards Experts. Three regional training sessions have also been carried out in Dakar for staff in Western, Central and Northern Africa, in Nairobi for Eastern Africa and in Pretoria for Southern Africa. The feedback from these training sessions have also been incorporated into the development of these procedures and guidelines.

Figure 1: Structure of the Integrated Safeguards System



Key revisions applied in the ESAP procedures are summarized below:

The implementation of the ISS enables the Bank to (i) promote social and environmental benefits, (ii) protect against harm, (iii) pursue a more sustainable approach to development which can generate benefits in terms of environmental security and human well-being, and (iv) manage projects' trade-offs in the best interest of Africa's development. But more than that, the Integrated Safeguards System is one of the strongest tools the Bank can use to promote the well-being of our true clients, Africa's people while the ESAP and the IESIA Guidance Notes provide a strong procedural basis for the operationalization of the ISS at country level.

Scope of the guidelines

The Integrated Environmental and Social Impact Assessment (IESIA) Guidelines provide a systematic

process for addressing projects' environmental and social impacts with clear understanding of the specific sector characteristics.

The IESIA complements the guidance and formats provided in ESAP and provides guidance to RMCs when undertaking Environmental and Social Assessments for Bank financed projects/programs. It will also be used by the Bank's Operational staff in reviewing and clearing these studies and in project supervision. The provision of high quality technical guidance is key to ensuring effective compliance, capacity and ownership of the ISS for Bank staff and borrowers alike. The development of the IESIA Guidance Notes has been guided by the following principles:

- Need to address the new and more challenging elements and required outputs of the OSs – in particular those set out in OS 1 on Environmental and Social Assessment;
- Addressing emerging or challenging issues or topics relevant to the scope of the set of OSs, in

Key Environmental and Social Assessment Procedures (ESAP) Revisions

Revision	Brief Description of Revision
Broadened ESAP scope – to cover private sector projects.	<ul style="list-style-type: none"> • The revised ESAP cover not only public, but also private sector Bank lending operations.
Introduction of Integrated Safeguards Tracker (IST).	<ul style="list-style-type: none"> • The revised ESAP contain an IST system. The IST's basic purpose is to facilitate the verification of project compliance with the requirements set out in the Operational Safeguards (OSs), over the course of the Project Cycle. A more detailed description of the IST is provided in the revised ESAP document itself.
Introduction of Environmental and Social Categorization Memorandum (ESCM).	<ul style="list-style-type: none"> • The revised ESAP require the Sector Departments to draft an ESCM during the project identification phase of the Project Cycle. This ESCM assigns the project a Category and requests ORQR.3 to review and clear the Category.
Broadened use of Environment and Social Scoping Memorandum (ESSM) – to cover Category 4 projects and private sector projects.	<ul style="list-style-type: none"> • The revised ESAP require that, during the project preparation phase of the Project Cycle, the Sector Departments develop an ESSM not only for Category 1 and 2 projects, but also for Category 4 projects. • The revised ESAP require that an ESSM is developed not only for public sector projects, but also for private sector projects.
Broadened use of ORQR.3 compliance check – to cover private sector projects and Environmental and Social Management System (ESMS).	<ul style="list-style-type: none"> • The revised ESAP require that ORQR.3 engages in a PCN compliance check not only for public projects, but also for private projects. • The revised ESAP require that ORQR.3 engages in a PAR compliance check not only for public sector projects, but also for private sector projects. • The revised ESAP require that ORQR.3 engages in an ESMS compliance check for Category 4 projects during the project appraisal phase of the Project Cycle.
Increased ORQR.3 responsibility for disclosure.	<ul style="list-style-type: none"> • The revised ESAP require that ORQR.3 itself is responsible for disclosing the ESA and ESMP summaries (and where applicable the FRAP / ARAP) during the project appraisal phase of the Project Cycle.

particular it seeks to address the implementation challenges with that are anticipated in the ISS and responds to the changing profile of Bank operations;

- Provision of specific support to identifying and managing the key environmental and social risks associated with operations in a number of priority sectors;
- Ease of use, accessibility and effectiveness in meeting the practical needs of project staff involved in Bank operations and in borrower institutions;
- Appropriate scope and scale drawing on the experience of other MDBs and development agencies and taking into account the lessons learned over the years in the Bank in implementing safeguards.

The IESIA Guidance Notes, which are designed to be reviewed and updated on a regular basis and as necessary, offer three critical benefits:

- provides a system of technical support both for Bank staff and for borrowers or clients to cover not only project preparation but also implementation – with a new emphasis on monitoring, reporting and supervision;
- puts in place a dynamic and customized resource that can respond to current needs and be adapted to future safeguard implementation challenges faced by Bank staff, in both regional and sector departments, and its borrowers or clients;
- offers a basis for capacity building in the Bank and in RMCs with respect to implementing the safeguards.

Structure and content

The IESIA Guidance Notes are presented in three standalone volumes that provide guidance in the three essential components of (i) the Environmental and Social Assessment process, (ii) specific topics and operational safeguard requirements, and (iii) technical guidance on key sectors and subsectors that have been proposed by operational departments as areas where guidance is needed:

Volume 1: Environmental and Social Assessment Instruments and Outputs

In OS1 and the ESAP, several new environmental and social assessment instruments and outputs are introduced. These include the use of Strategic Environmental and Social Assessment (SESA) for policy

and programme lending and the use of Environmental and Social Management Frameworks and Systems (ESMFs and ESMSs) for programme lending and Financial Intermediaries. There is also greater emphasis on compliance monitoring during project implementation as well as greater attention to country systems.

For Bank operations staff and their counterparts in borrowers or clients, it is vital that they have clear and easy to use guidance on these different instruments and outputs. This guidance is therefore designed specifically to complement the ESAP Annexes, which provide templates and report formats in many cases. The main purpose of this category of guidance should be to:

- Make it clear to staff what is the nature of the different instruments in the specific context of the OSs and ESAP
- Assist them to prepare TORs, report formats and select high quality consultants
- Evaluate the quality of reports and deliverables to judge if the OS1 requirements are followed satisfactorily
- Highlight key issues of importance for good compliance.

Volume 2: Environmental and Social Assessment Topics

The OSs introduce or elaborate on a number of key ESA requirements and topics. It is of great importance to provide Bank and borrower staff with clear and easy to use guidance to ensure a high level of understanding of what is required, best practice on meeting the requirements and where appropriate sources of good technical information.

Some of these topics reflect specific OS requirements such as applying safeguards to policy and programme lending, public (free, prior and informed) consultation and grievance mechanisms. Some address specific areas of environmental and social risk not previously covered specifically by Bank policies, such as vulnerable groups, cultural heritage, environmental flows, biodiversity, GHG emissions and labour standards. Others cover topics long recognised to be of great importance and where compliance may be improved through better technical guidance, such as resettlement or pollution control.

It should be noted that the Bank has introduced a Climate Safeguards System (CSS) to complement the IESIA and has also integrated the associated climate vulnerability and adaptation requirements and procedures into the ISS. The CSS can be accessed using this link <http://css.afdb.org:8080/AfDB-CSS/afdbhomepage>.

html and following login instructions Login: Tmanager, PW: taskmanager.

Volume 3: Guidance on Specific Sectors called Sector Keysheets

30 specific project types, within four key sector areas for which checklists should be prepared. The aim of such checklists should be to identify typical project components, sources of impacts, commonly applied assessment methods and likely management options. These can be used by Bank staff to assist in the process of screening projects in the early stage of the Project Cycle as well as for tailoring TORs for Environmental and Social Assessments.

The preparation of such checklists and sector specific guidance by development agencies has been common over the past two decades or more. Many have been produced in a variety of different “shapes and sizes”. However, it is interesting to note that few if any MDBs are currently applying sub-sector guidance of this kind within their safeguards systems. For example, the World Bank

Group’s Environmental, Health and Safety Guidelines are organised around types of pollution or risk.

It is important for the Bank to take full account of how useful such guidance has been for other agencies, what format and scale would be best suited for use by Bank staff and the selection of specific sectors for which checklists may be useful. Extensive consultation with the Bank’s environmental and social specialists for different sectors will be essential to determine how sub-sector specific guidance would be valuable.

The ESAP and IESIA Guidance Materials will be uploaded in the online Integrated Safeguards Tracking System (ISTS) that has been jointly developed by ORQR and CIMM. The ISTS is linked to the Bank’s project management/SAP database system to provide to Bank staff an automated and one-stop platform for processing Bank projects’ environmental and social due diligence. The ISTS aims at facilitating the verification of project compliance with the requirements set out in the OSs, over the course of the project cycle.

GENERAL INTRODUCTION

The African Development Bank (the Bank) is introducing a new Integrated Safeguards System (ISS) to articulate more clearly and update its environmental and social safeguards and to support inclusive and sustainable growth in the region. The ISS consists of:

- An Integrated Safeguards Policy Statement declaring the Bank's commitment to environmental and social sustainability and the management of risks associated with non-compliance with the Bank's Policies and Procedures;
- Operational Safeguards (OSs) – which are a set of brief and focused policy statements that clearly set out the operational requirements with which Bank-financed operations must comply; and
- A revised set of Environmental and Social Assessment Procedures (ESAPs) that will provide information on the specific procedures that the Bank and its borrowers or clients should follow to ensure that Bank operations meet the requirements of the OSs at each stage of the Bank's project cycle.

The Bank also decided that the ISS should include revised Integrated Environmental and Social Impact Assessment (IESIA) Guidance Notes that provide technical guidance for the Bank and its borrowers or clients on safeguards instruments, methodological approaches and specific topics or project types relevant to meeting the new OSs.

Rationale for guidance notes

The Bank produced Integrated Environmental and Social Impact Assessment Guidance (IESIA) in 2003. This set of guidance materials contains a very brief explanation of the Environmental and Social Assessment (ESA) process as understood at that time as well as specific technical guidance on 9 individual sectors.

It has become clear that the introduction of the ISS, with new OSs and revised ESAPs, requires a new set of guidance materials specifically tailored to the ESA requirements set out in the OSs and designed to provide support for the implementation of the ESAPs by Bank staff and by borrowers or clients. Guidance is also needed to address a number of new safeguard topics covered by the OSs as well as a number of challenging issues faced by the Multilateral Development

Bank (MDB) community in implementing environmental and social safeguards in the context of current profiles of MDB operations.

It has also become necessary to revise the scope, content and style of the sector specific guidance so that it matches the profile of current Bank operations and is easy to use by Bank staff and by borrowers or clients in following the specific assessment steps required by the ESAPs.

In developing a new set of Guidance Notes, the Bank has set out the following principles:

- The guidance is carefully designed to address the new and more challenging elements and required outputs of the OSs – in particular those set out in OS 1 on Environmental and Social Assessment;
- The guidance addresses a number of emerging or challenging issues or topics relevant to the scope of the set of OSs, recognised implementation challenges and the changing profile of Bank operations;
- The guidance provides specific support to identifying and managing the key environmental and social risks associated with operations in a number of priority sectors;
- The guidance should be “easy-to-use”, accessible and designed to meet the practical needs of project staff involved in Bank operations and in borrower institutions;
- The scope and scale of the guidance should draw on the experience of other MDBs and development agencies and take account of lessons learned on what is practical, easy to use and effective; and
- The guidance is designed to be reviewed and updated on a regular basis. 8. It should be noted that the Bank has coordinated its efforts to design and introduce its ISS with the community of MDBs and other international development agencies. Many organizations have recently revised of their safeguard policy, procedures and related guidance material. In particular, IFC has recently updated its Environmental and Social Sustainability Performance Standards, including its accompanying Procedures Manual and extensive Guidance Notes. Also, the World Bank is in the process of upgrading its Environmental and Social Safeguards and will be carefully considering how to adapt its existing body of technical guidance to best serve its new system.

In addition, the Inter-American Development Bank has recently prepared a comprehensive new series of technical notes to assist its staff and clients to apply environmental and social safeguards.

Scope and format of the guidance notes

Guidance Notes are of three categories:

- **ESA tools and OS 1 Implementation.** For Bank project staff and their counterparts in borrower or client organizations, it is vital to have clear and easy to use guidance on the different ESA instruments and outputs set out in OS 1 and the revised ESAPs. The guidance is designed specifically to complement the ESAP Annexes, which provide templates and report formats in many cases. Therefore it was agreed that the guidance for these ESA steps, tools and instruments should build on the ESAP Annexes where relevant and should be brief, easy to use and focused on technical guidance to enable Sector Departments to launch and manage the ESAP steps and to transfer technical advice to borrowers or clients:
- **Specific safeguard topics.** The OSs introduce or elaborate on a number of key ESA requirements and topics. Some of these topics reflect specific OS requirements such as consultation, vulnerable groups, and grievance mechanisms. Some address specific areas of environmental and social risk not previously covered specifically by Bank policies, such as cultural heritage, environmental flows, biodiversity, and labor standards. Others cover topics long recognised to be of great importance and where compliance may be improved through better technical guidance, such as resettlement or pollution control. It was agreed that the guidance on these new or challenging topics should draw on international and especially MDB best practice. They should not be “manuals” but provide sufficient information to enable Sector Department staff to understand fully what the OSs require and what is the current best practice.

- **Sectoral impact keysheets.** The TORs for this assignment identify a number of specific project types, within five key sector areas for which keysheets should be prepared. The aim of these should be to identify typical project components, sources of impacts, and feasible management options. It was agreed that these should be short “keysheets” providing compact guidance on project components, sources of impacts, receptors, and management options to enable Sector Department staff to tailor ESIA / SESA Terms of Reference, to assist in Scoping and in reviewing ESIA or SESAs. The list of sectors/sub-sectors to be covered was amended following discussions with relevant Sector Department staff.

Key objectives of the iesia guidance notes and keysheets

The IESIA Guidance Notes provide guidance to RMCs when undertaking Environmental Impact Assessments for Bank financed projects/programs. It will also be used by the Bank's Operational staff in reviewing and clearing these studies and in project supervision. The division acknowledges that the provision of high quality technical guidance is key to ensuring effective compliance, capacity and ownership of the ISS for Bank staff and borrowers alike.

This new set of guidance materials has three critical advantages:

- provides a system of technical support both for its own staff and for borrowers or clients to cover not only project preparation but also implementation – with a new emphasis on monitoring, reporting and supervision;
- puts in place a dynamic and customized resource that can respond to current needs and be adapted to future safeguard implementation challenges faced by Bank staff, in both regional and sector departments, and its borrowers or clients;
- offers a basis for capacity building in the Bank and in RMCs with respect to implementing the safeguards.

GLOSSARY OF TERMS

Area of Influence. In the context of an ESIA, i) the area likely to be directly affected by the project and related facilities that the project proponent develops or controls, and additional areas in which aspects of the environment could conceivably experience significant impacts; ii) areas potentially affected by related or associated facilities dependent on the project and that would not have been implemented if the project did not exist, but that are not funded by the project; and iii) areas, including the communities within them, potentially affected by unplanned but predictable activities likely to be induced by the project.

Biodiversity. The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems.

Consultation. The means by which a project communicates with the people living in the project's area of influence, as well as with other relevant stakeholders - a two-way process between a project and its affected communities / other stakeholders.

Cumulative Impact. An additional impact that arises as a result of an impact from the project interacting or combining with an impact from another third party planned activity that is not considered to be part of the project's area of influence.

Ecosystem Services. The benefits that people derive from ecosystems. Ecosystem services are organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.

Environmental Flows. The provision of water within rivers and groundwater systems to maintain downstream ecosystems and their benefits, where the river or groundwater system is subject to competing water uses and flow regulation.

Environmental and Social Assessment Procedures (ESAPs). The Bank's procedures for applying its OSs to its operations, setting out the steps to be followed by

borrowers/clients and Bank staff at different stages of the project cycle.

Environmental and Social Impact Assessment (ESIA). A tool to identify and assess the likely environmental and social impacts of a proposed project, to determine their magnitude and significance, and to define management or mitigation measures designed to avoid and minimize where possible, or if not, to offset or compensate for adverse impacts and risks.

Environmental and Social Management Framework (ESMF). An instrument, to be applied in the context of programmatic lending that sets out a unified process for assessing and managing all environmental and social safeguard issues for subprojects from preparation, through appraisal and approval, to implementation.

Environmental and Social Management Plan (ESMP). An instrument developed as the outcome of an ESIA of a proposed project that sets out the action plan of environmental and social management measures to be implemented by the borrower or client.

Environmental and Social Management System (ESMS). An instrument, developed in the context of finance for Financial Intermediaries (FIs), to apply the requirements of the Bank's OSs to the subprojects financed by the FI - in a manner appropriate to the scale and nature of the FI's operations. It provides a framework for integrating environmental and social risk management into the FI's business processes.

Environmental and Social Screening. An instrument used by Bank staff in the early stages of the project cycle, according to provisions of the ESAPs, to determine the Environmental and Social Assessment Category of a specific operation.

Financial Intermediary (FI). A financial institution, such as a bank, insurance or leasing company or micro-finance provider, to which the Bank may provide finance that will be lent on to or invested in subprojects.

Genetically-Modified Organism (GMO). Any biological entity capable of transferring or replicating genetic material, including sterile organisms, viruses and viroids - typically referring to agricultural crops.

Grievance and Redress Mechanisms (GRM). A systematic process for receiving, evaluating and facilitating resolution of affected people's project-related concerns, complaints and grievances about the borrower's/client's social and environmental performance on a project.

Indigenous Peoples. Social or cultural groups recognised as Indigenous Peoples, either by national legislation or according to their own identification as members of a distinct cultural group with collective attachment to geographically distinct habitats or ancestral territories; having customary cultural, economic, social or political institutions separate from the dominant society or culture; and an indigenous language – often different from the official language of the country

Integrated Safeguard System (ISS). The Bank's environmental and social safeguards system, incorporating an Integrated Safeguards Policy Statement; a set of Operational Safeguards (OSs) and a revised set of Environmental and Social Assessment Procedures (ESAPs). It also includes an updated set of Guidance Notes and Sector Keysheets.

Integrated Safeguard Tracking System (ISTS). A Bank database system to act as a repository for and to track key safeguard compliance information linked to the progress of the project cycle and to provide a means of making safeguard compliance information accessible to the public.

Mitigation Hierarchy. A hierarchy to be used to develop an environmental and social management plan, giving priority to avoidance of impacts; then, if avoidance is not possible, to reduce and minimize impacts; then, if reduction or minimization is not sufficient, to mitigate and/or restore, and as a last resort to compensate and/or offset.

Operational Safeguards (OSs). A set of brief and focused policy statements that clearly set out the operational environmental and social requirements with which Bank-financed operations must comply.

Physical Cultural Heritage. Unique and often non-renewable resources that possess cultural, scientific, spiritual, and/or religious value and includes moveable or immovable objects, sites, structures, groups of structures, natural features, or landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural value.

Resettlement Action Plan (RAP). A comprehensive planning document that specifies the procedures that an involuntary resettlement process shall follow, and the actions that shall be taken to compensate affected people and communities.

Scoping. An early step in the ESIA process that aims to focus the remainder of the ESIA on those impacts that are likely to result in significant effects. This is achieved through data collection and stakeholder engagement, followed by analysis of the information gathered. Ideally, the scoping process should also identify the potential impacts that can be avoided through early stages of project design.

Strategic Environmental and Social Assessment (SESA). A tool to assess the environmental and social risks and likely impacts of policy related lending, general or sector budget support or a range of programmatic lending or plans - as distinct from the use of ESIA for the environmental and social assessment of projects.

Transboundary Impacts. Potentially adverse environmental and social impacts that extend beyond national borders, either because the projects take place in more than one country or because the impacts affect areas or regions outside the borders of the country in which the project is located.

Vulnerable Groups. Those groups within a project's area of influence who are particularly marginalized or disadvantaged and who might thus be more likely than others to experience adverse impacts from a project. Vulnerable status may stem from a group's gender, economic status, ethnicity, religion, cultural behaviour, sexual orientation, language or physical and psychological health conditions.

MAINSTREAMING ENVIRONMENTAL AND SOCIAL CONSIDERATIONS IN CSPS/RISPS

OS Requirements on mainstreaming environmental and social considerations into CSPS and RISPS

The Bank's OS 1 states that the Bank, in partnership with Regional Member Countries (RMCs), will apply appropriate environmental and social assessment tools to mainstream environmental and social considerations, including climate change vulnerability and green growth, into CSPs and RISPs. It is the responsibility of the Country / Regional Departments, supported by the Sector Departments, to develop CSPs and RISPs in a way that mainstreams environmental and social considerations and that identifies issues of concern for setting priorities for future operations. In the case of CSPs, this may also involve an assessment of the strength of country systems for implementing environmental and social policies. (See GN on Country Systems).

Objective and scope

Definition of CSPs and RISPs

The CSP is a strategic framework setting out the planned program of assistance for a specific country for both public and private sectors and for a limited period of time (five years).

A RISP is a strategy both for public and private sectors looking at all aspects of regional integration and trade issues, partnerships with regional institutions, donors and stakeholders.

This Guidance Note addresses the mainstreaming of environmental and social considerations into CSPs and RISPs. It should be used in parallel with the Bank's "Guidance Document for Mainstreaming Climate Change in the Bank's CSPs and RISPs".

Objectives of mainstreaming

The principal objectives of mainstreaming environmental and social considerations into CSPs and RISPs are:

- Describing the environmental and social profile of the country or region, including important trends.
- Analysing the links between environmental and social issues and strategic development goals, such as poverty reduction.
- Identifying key environmental and social management challenges in the country or region.
- Identifying opportunities to tackle these challenges at a strategic level.
- Identify environmental and social risks to country or regional program priorities and options.
- Assessing the country's or region's environmental and social policies and relevant institutional capacity (country systems).
- Identifying opportunities to support and strengthen country or regional capacity to manage environmental and social risks

CSPs: The Bank should identify an RMC's key environmental and social priorities and challenges in order to:

- Address access constraints to natural resources of the poor and, more broadly, to a more sustainable development path.
- Support the development of appropriate environmental/social management projects or programs.
- Map out the use of the ISS in CSP implementation, taking the moves from the lessons learned from the application of safeguards in the country portfolio.

In the context of the Bank's strategic objective of strengthening country systems, it is important to include in the CSP an evaluation of the past effectiveness of the environmental and social safeguards applied to Bank operations in the country. This can provide a significant opportunity to address any evident obstacles to effective

safeguard application. The analysis of effective application of ISS standards at the country level should focus on:

- Quality and compliance control mechanisms.
- Existence and effective application of legal penalties and sanctions in case of non-compliance.
- Access to ESIA and resettlement information.
- Consultation processes.
- Adequacy of resources allocated to the agency in charge of ESIA revision (especially in terms of human resources, including social scientists).
- ESIA and in general project approval procedure (in terms of transparency and accountability).
- Bias in the system allowing distortion of the ESIA.

RISPs: In mainstreaming environmental and social concerns in regional integration strategies the bank should:

- Identify regional projects that will sustain Africa's transition to green growth through better environmental and natural resources management on a regional scale.
- Establish the context for regional environmental and social management plans and frameworks.
- Identify and assess regional institutions' capacity in managing cumulative environmental and social effects.
- Identify overlaps or inconsistencies in legislation and policies on environmental and social management.
- Collect lessons learned from the implementation of ISS on regional projects; and finally.
- Identify opportunities to improve regional databases and create mechanisms for information sharing (including regional environmental and social monitoring and reporting).

Approaches for mainstreaming environmental and social issues into CSPS/RISPS

The mainstreaming of environmental and social considerations into CSPs and RISPs should occur at the stages of concept note and preparation. To this effect an environmental and social expert (ideally a member of the country team) should be involved.

Concept Note

The environmental or social expert should collect available data and documents, such as existing State of the Environment Reports, Country Environmental Profiles or National Environmental Action Plans, and

identify environmental and social issues relevant to the Bank's main development pillars. The expert should also review of the country or region's main constraints relating to the implementation of resettlement plans and/ or environmental and social management plans of Bank financed programs and projects. The expert should provide inputs into the Concept Note in the form of a synthesis of the data collected and should highlight evidence of main environmental and social challenges, linkages with priority development goals and existing institutional capacity.

Preparation

The information collected and elaborated at Concept Note stage would be further elaborated on the bases of the CSP/ RISP preparation mission findings. The expert should include the identified environmental and social management risks and opportunities, their implications for the country or region's strategic options and the Bank's operations pipeline in the final version the country or regional integration strategy, with a focus on the identification of:

- Opportunities to maximize benefits of environmental and social management interventions.
- Opportunities for mitigation or management of the environmental and social risks associated with priority development options.
- Constraints occurring in program /project level ESIA.

The environmental and social considerations should be incorporated into the format of the CSP or RISP format as indicated in the table below:

Risk analysis shall refer to the E&S categories 1,2 or 3 and FI as described in AfDB's ESAP. In some cases, it may be useful to prepare a Safeguards' Data Sheet in order to report on the status of the environmental and social country system. See Annex 1 for a suggested format.

Annex 1 – Template for Safeguards Data Sheet

1. Description of the context in which the Fact Sheet was prepared (1 paragraph).
2. General environmental and social context of the country: Describe the geographic position of the country and the role/importance of natural resources and key social /environmental themes (gender, vulnerable groups, cultural resources etc.) (2 paragraphs).

Table 1: Environmental and Social Considerations in CSPs and RISPs

CSPs	RISPs
<p>Country contexts:</p> <ul style="list-style-type: none"> • Social context. • Environment context. <p>Strategic options</p> <ul style="list-style-type: none"> • Identifying challenges and weaknesses; <ul style="list-style-type: none"> – e.g.: Restricted access to natural resources; effects of environmental hazards on health, livelihoods and vulnerability; ESIA quality and control measurement • Strength and opportunities <ul style="list-style-type: none"> – e.g.: in terms of natural resources exploitation and management, hydropower, gas, etc. – Lessons learned from the application of safeguards in the country portfolio <p>Strategy for the country</p> <ul style="list-style-type: none"> • Country dialogue <ul style="list-style-type: none"> – Outline key issues requiring close consultation and discussion with government and other stakeholders <p>Risks and Mitigation measures</p> <ul style="list-style-type: none"> – Analyze and categorize potential environmental and social risks related to the areas of intervention selected by the Bank and propose mitigation measure – Address specifically the institutional capacities at the country level on social and environmental risks management <p>Conclusions and Recommendations</p>	<p>Regional context:</p> <ul style="list-style-type: none"> • Social context. • Environmental context. <p>Main Challenges and Key Opportunities</p> <ul style="list-style-type: none"> – Leveraging country programs through regional activities, and to create additional regional public goods <p>Bank strategy for the Region:</p> <ul style="list-style-type: none"> • Strategic Pillars, Deliverables and Targets- <ul style="list-style-type: none"> – Cross-cutting issues relating to regional public goods (particularly on issues of gender, environment, vulnerable groups. – Lessons learned from the implementation of ISS on regional projects • Country dialogue <ul style="list-style-type: none"> – Outline key issues requiring close consultation and discussion with regional institutions concerning implementation of regional environmental and social management programs • Potential Risks and Mitigation Measures <ul style="list-style-type: none"> – Outline key issues requiring close consultation and discussion with regional institutions concerning implementation of regional environmental and social management programs – Identify responsibility for of risks (environmental and social) and mitigation actions related to the areas of intervention selected by the Bank – Address specifically the institutional capacities at the regional (and country levels) on social and environmental risks management <p>Conclusions and Recommendations</p>

- Country environmental and social policies with a focus on Environmental Impact Assessment requirements, land acquisition processes and procedures, nature conservation policy, pollution control and labor rights protection (2-3 paragraphs).
- Country track record on the application of its environmental and social policies: actual practices, tensions and problems in the application of the policies, prospects for requirement changes over the three-year period from borrower's perspective and initiative (2 paragraphs).
- Track record on the application of Bank's safeguards: project performance, issues encountered, lessons learned, success stories (1 paragraph).
- Institutional framework and actors: indicate the institutional structures involved in assessing and managing environmental and social impacts and risks and how well these institutions interact, their capacity, strengths and weaknesses. Analyze and comment on the role played by civil society as participant in consultation and information sharing (2 paragraphs).
- Recommended projects or programs: indicate what measures the CSP will recommend to the country measures to improve safeguards application and the expected impact on growth, climate resilience and improvement in living standards (2 paragraphs).
- Analysis and comments on the role of the private sector actors

BOX 1: Key Questions for Mainstreaming Environmental and Social Considerations**Linkages / Impacts**

- How much do the country's main natural resource sectors contribute to economic growth and are there opportunities for them to be better utilized to enhance pro-poor growth?
- Are the country's growth targets vulnerable to environment-related shocks or social problems? What needs to be carried out to improve the situation?
- What are the levels of dependence of the poor on environmental goods and services? How much employment or income-earning opportunities do natural resources provide, particularly to the poorest?
- Is there recognition of the effects of environmental hazards on health, livelihoods and vulnerability?
- Are the issues of governance (including those related to illegal resource use and corruption) within the natural resource sectors openly debated? How are they being tackled?

Institutional / Implementation Challenges

- Are financial resources sufficient to implement the activities identified as needed to ensure sustainability, including law enforcement? Have the needed resources been channeled down to regional and local levels?
- Is co-ordination across government sufficient to deliver on the cross-cutting environmental and social challenges over time?

Opportunities

- How can sustainable environmental and social management be pro-actively built into proposed programs in different sectors (e.g. health, education, rural development, energy)?
- What are the opportunities for support to environment and social management? Which are the Bank's comparative advantages?
- What are other development agencies and banks doing to strengthen environment and social management?
- If budget support is considered as part of the CSP, is there a need for support for country system capacity?

STRATEGIC ENVIRONMENTAL AND SOCIAL ASSESSMENT (SESA)

Purpose of a SESA

Under the Bank's OS 1, the borrower or client is responsible for carrying out the appropriate level of ESA for proposed Bank operations deemed to be Category 1 or 2. In the case of the Bank's program-based operations (PBOs)¹, such as policy reform and budget support, whether general or sector specific, or regional and sectoral programmatic loans, the borrower or client should undertake a full SESA for Category 1 operations and a limited SESA for Category 2 operations (see Guidance Note on PBOs).

A SESA is the form of ESA designed to tackle policy related, budget support or programmatic lending (as distinct from ESIA for the assessment of projects). A SESA has a broader, upstream, more long-term strategic perspective and is used by the Bank for the environmental and social assessments of its PBOs where needed. Its aim is to integrate strategic environmental and social considerations systematically into the preparation and execution of a PBO that has been deemed to be of high or medium environmental and social risk. The key objective of a SESA is to examine alternative options in order to assess the potential environmental and social implications – positive and adverse – of the proposed PBO and the institutional options for the monitoring and management of its resulting environmental and social impacts over time.

It should be noted that relatively few PBOs are likely to be Category 1. However, there may be cases where the potential environmental and social risk is not immediately evident, for example if a mining sector policy reform results in rapid expansion of direct investment in the mining sector with a potential for significant cumulative impacts, or if budget support of the education sector results in an extensive program of construction (see ESAP Annex 2).

Key steps in undertaking a SESA

In general, a SESA should be undertaken in a more flexible and adaptive manner than traditional project ESIAs, depending on the nature of the PBO, and especially the likely relationship between the PBOs and downstream decisions, activities and investments. In particular, a SESA should be highly participatory, iterative and ultimately focused on defining an institutional solution to managing potential downstream environmental and social risks. Such a solution might include the design of an ESMF (see GN 1.5) to be adopted and implemented by the organisation responsible for the PBO.

In most cases, the borrower/client should follow a standard set of steps in conducting a SESA. These are briefly described below.

Scoping

The purpose of the scoping step is to identify elements of the PBO that may be associated with significant environmental and social risks. This is best done through an initial consultation exercise with key stakeholders.

The focus of scoping is likely to be on:

- The potential linkages between the elements of the PBO and environmental and social resources/receptors through identifiable “transmission channels”.
- The nature of the intended downstream activities resulting from the PBO, such as construction activities, increased investments, changed patterns of resource use or programs of subprojects.
- The potential for downstream activities to cause unintended impacts on sensitive environmental components or vulnerable social groups.

1. The Bank has adopted the term Program-Based Operations to cover policy and budget support financing operations. In this Guidance Note, we also use it to cover regional or sectoral investment programs.

- The temporal and spatial boundaries for the assessment.
- The capacity of the existing institutional mechanisms in place to implement the reforms, budget support or sector plans.
- Key environmental and social priorities to be integrated into the PBO design and objectives.

The outcome of the scoping step should be a detailed plan for conducting the SESA tailored to the nature of the PBO and the most likely environmental and social risks.

Stakeholder Identification and Engagement

It is vital for the success of a SESA to identify and engage a wide range of stakeholders including those with knowledge of the PBO's focus area, the overall environmental and social conditions and the potentially affected communities.

The main purpose of this process is to identify all key stakeholders having an environmental or social stake in the policy area, sector or region affected by the PBO and to engage with them in a meaningful manner. They can be involved in identification of options, baseline analysis and in selecting management options.

PBO Definition

This step involves clear definition of the PBO and how it is to be implemented:

- What are the main objectives of the PBO?
- What are the individual components of the PBO?
- What are the downstream activities or investments that the PBO is intended to bring about?

The relevant policy framework and implementation arrangements must be defined, indicating in particular how decisions will be made, how activities will be monitored and how the PBO's performance will be evaluated.

Identification of Alternative Options

The core element of a SESA is the identification of options that can form the basis of the assessment. The nature and range of the relevant options will naturally be determined by the specific PBO in question. Options may consist of any of the following:

- Alternative policy reform objectives and instruments.
- Alternative budget objectives and allocation criteria.
- Alternative sectoral strategies, objectives or delivery modes.
- Alternative scenarios for patterns of downstream investments.

- Alternatives target geographical areas.
- Alternative technologies or processes.

The involvement of stakeholders in this step is of critical importance.

Situation or Baseline Definition

The preparation of a situation analysis or baseline for a SESA will depend greatly on the nature of the PBO and its intended downstream activities or investments. It is likely that the relevant baseline will be in part a general situation assessment of overall environmental and social conditions relevant to the PBO's focus area (e.g. forestry policy reform or mining sector program), and in part a framework for determining the environmental and social baseline for specific downstream activities. In certain cases, such as a regional transport program with a specific geographical location, the baseline will be more conventional.

The objective of a policy relevant situation assessment is to identify the key environmental and social issues associated with a policy area, sector or region so as to inform the assessment of different options. This does not need to be as detailed as a project level baseline study and can be based mainly on secondary sources and expert opinion.

It is important that the SESA also takes account of the "political economy" of a proposed PBO and the key elements of the institutional context in which it will be implemented. The political economy is relevant to the political feasibility of the options to be covered in the SESA, taking account of prevailing incentives and interests that may pose challenges for alternative policy or sector options. The institutional context includes the formal legal and regulatory framework governing environmental and social issues.

Therefore it is important to conduct a thorough review of the policy, institutional, legal and regulatory framework, and of the existing capacities associated with the management of environmental and social priorities in the country and in the sector. This should include an assessment of the effectiveness of frameworks and capacities for addressing the priorities, and the identification of capacity gaps that affect the management of priority issues.

Environmental and Social Assessment

Identifying the potential direct and indirect or unintended effects of a PBO, as well as options for/alternatives to elements of a PBO, is naturally more difficult than in the case of specific projects. The range of options or variables under consideration is often harder to define with certainty, because the transmission channels through which effects

may be experienced may be very complex and involve many aspects that are difficult to predict and analyze. The indirect effects are often of paramount importance in the assessment.

The environmental and social assessment should focus on avoiding adverse impacts as well as maximising benefits. The assessment methodology should be tailored to the nature of the PBO and likely environmental and social risks identified during the scoping stage.

The assessment of the key PBO options is likely to consist of analysing:

- The environmental and social implications, both beneficial and adverse, of the main PBO strategy (e.g. choice of power generation options).
- The possible unintended or cumulative risks of the PBO program (e.g. reform of mining regulations

resulting in increased investment in a specific region).

- The likely environmental and social impacts of proposed downstream activities (e.g. impacts of constructing schools).
- The institutional context for addressing the environmental and social implications of different options.

Within this framework, the assessment should follow the conventional impact assessment steps:

- Identification of potential interactions between the PBO elements and the physical, biological, cultural or human environment (based on consideration of information gathered on the PBO, options and baseline conditions).
- Prediction of impacts –determination of what could potentially happen as a result of the PBO

Table 2: Examples of Policy Reforms and Potential Environmental Linkages

Policy area	Reform	Potential environmental benefits	Potential environmental risks	Measures to enhance environmental benefits and mitigate risks
Energy	Fuel price reform, removal of subsidies.	Reduced emissions through increased production and consumption efficiency.	Removal of subsidies could lead to increased demand for fuel wood.	Property right reforms might be used to mitigate against deforestation in search for fuel wood.
Agriculture	Land reform.	Property rights generally improve management of natural resources.	Shrinking common property resources are overused by landless.	Ensure that the interests of the landless are considered.
Private sector development	Business climate issues, taxation and protection of property rights, privatisation.	Increased competition and use of price signals generally improve resource use efficiency.	Weak legal environmental framework and unclear liabilities can lead to over exploitation of natural resources and high pollution levels.	Ensure adequate legal framework, monitoring and enforcement.
Tax reform	Tax incidence (income, assets, corporation, consumption); tax rates; exemptions; deductions.	Changes in prices due to tax reform can have powerful effects on household and corporate behavior. Natural resources positively/negatively affected depending on the reform. Subsidy removal generally has positive effects on natural resource use.	See benefits.	Environmental fiscal reforms where taxes on polluting inputs such as energy and resource royalties are used can lead to internalised environmental costs, increased resource efficiency and tax incomes.
Decentralization	Decentralization of power to regional or local administration. Reforms aim at increasing the efficiency of service delivery, accountability.	Accountable and representative local institutions can improve the management of natural resources.	Poor capacity to deal with environment and natural resource related issues. Risk that local elites exploit local natural resources (if no state vigilance).	Capacity-building to strengthen local and regional administration.
Trade	Trade reform	Increased competition may lead to improved resource use efficiency. Benchmarking of environmental performance standards by in-migrating industry.	Expansion of monocultures. Increased use of fertilizers and pesticide. Pressure on natural resources.	Improve environmental legislation to avoid becoming a “pollution haven”. Provide training on fertilizer and pesticide use.

interaction with the physical, biological, cultural or human environment.

- Definition of impact characteristics - type, extent, duration, scale and frequency of each impact.
- Determination of impact magnitude - the degree of change that the impact is likely to impart upon the resource/receptor, based on its defined characteristics.
- Determination of impact significance– taking account of the sensitivity/vulnerability/importance of the resource/receptor and the magnitude of the impact.
- Identification of measures to avoid, minimize, and mitigate impacts, following a mitigation hierarchy.
- Identification of residual impacts (i.e. after mitigation) and measures to offset/compensate for residual impacts.

Management Options and Institutional Measures

It is important to focus on realizing the positive opportunities of the planned PBO activities as well as minimizing any adverse impacts. The aim is to develop “win-win” situations where multiple, mutually reinforcing gains can strengthen the economic base, provide equitable conditions for all, and protect and enhance the environment. Where this is impossible, the trade-offs must be clearly documented in order to guide decision makers.

A mitigation hierarchy should be followed for addressing adverse impacts: first avoid; second minimize; and third mitigate, offset or compensate for adverse impacts, using appropriate measures. Caution should be exercised if the analysis indicates a potential for major, irreversible, negative environmental or social impacts. Often this may indicate that less risky options should be considered. Once mitigation has been taken into account, the significance of residual adverse impacts can be evaluated.

The range of management options and institutional measures that should be considered include:

- Selection of preferred options for the PBO on the basis of environmental and social benefits or impacts.
- Design of an ESMF to assess and mitigate environmental and social impacts of downstream activities.
- Strengthening of institutional capacity to manage downstream environmental and social impacts during the implementation of the PBO.

Preparation of an ESMP

As in the case of an ESIA, the SESA should include an ESMP that defines the environmental and social management measures to be followed by the borrower or client in implementing the PBO. The content of a SESA ESMP will necessarily be at a more strategic upstream level than in the case of an investment project

The ESMP should include:

- Any environmental and social analysis to be followed during implementation of the PBO, such as environmental and social criteria for budget allocation.
- Any environmental and social management to be incorporated into PBO implementation arrangements.
- Any system for environmental and social management, such as an ESMF, to be applied to downstream activities or investments.
- Any requirements for environmental and social monitoring and reporting on downstream activities.
- Institutional arrangements and capacity development needed to ensure effective environmental and social management during PBO implementation.

Sesa report content

Project Title:	Project Number:
Country:	Department:
Division:	Project Category:
Summary:	
Introduction:	
Scoping:	
Definition of the Proposed Program-Based Operation / Regional or Sector Loan / Program Operation:	
Alternative Options Considered:	
Situation Analysis/Baseline:	
Evaluation of the Environmental and Social Impacts of Options and Conclusions Regarding their Significance:	
Results of the Comparison of Alternatives:	
Expected Residual Effects:	
Summary of Stakeholder Engagement:	
ESMP, including Management Measures, Actions, Roles and Responsibilities, Timeframes, Monitoring and Cost of Implementation:	
Institutional Capacities and Strengthening Plan:	
Annexes:	

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA)

Purpose of an ESIA

Under the Bank's OS 1, the Bank requires the borrower/client to undertake a full ESIA (or in some cases an SESA) of a proposed Bank operation (public or private sector) that has been designated during the project screening stage as Category 1, or a limited ESIA in the case of Category 2 operations.

An ESIA is conducted in order to identify and assess the likely environmental and social impacts of a proposed Bank operation, to determine their magnitude and significance, and to define management or mitigation measures designed to avoid and minimize where possible, or if not, to offset or compensate for adverse impacts and risks.

Key steps in undertaking an ESIA

The key steps in conducting an ESIA are:

- Scoping.
- Stakeholder identification.
- Project definition.
- Analysis of alternatives.
- Baseline definition.
- Impact assessment.
- Preparation of an Environmental and Social Management Plan (ESMP), including monitoring and reporting.

Scoping

The objective of the scoping step is to focus the remainder of the ESIA process on those impacts that are likely to result in significant effects. This is achieved through data collection and stakeholder engagement,

followed by analysis of the information gathered. Ideally, the scoping process should also identify the potential impacts that can be avoided through early stages of project design.

To initiate scoping it is necessary to identify, on a preliminary basis, the Area of Influence for the project. This will encompass, as appropriate:

- The area likely to be directly affected by the project and related facilities that the project proponent develops or controls (e.g. power transmission corridors, pipelines, canals, tunnels, access roads, borrow and disposal areas, construction camps), and additional areas in which aspects of the environment could conceivably experience significant impacts.
- Areas potentially affected by related or associated facilities dependent on the project and that would not have been implemented if the project did not exist, but that are not funded by the project.
- Areas, including the communities within them, potentially affected by unplanned but predictable activities likely to be induced by the project.

The aim of scoping is to collect sufficient information on environmental and social conditions and to invite stakeholder input to facilitate the identification of the potential interactions between the project and resources/receptors² within the likely Area of Influence. In addition, scoping should involve initial consultations with possible affected communities and stakeholders.

Data should be collected for those resources/receptors which have a reasonable potential to experience significant impacts. Potential resources/receptors include physical (e.g. geology and soils, surface and groundwater resources, air resources and climate, noise and vibration, prominent landscape and aesthetic features), biological (flora, resident and migratory fauna, ecosystems, endangered and

2. Resources can be defined as elements of the physical, biological, cultural or human environment, which can be impacted by project activities. Receptors can be defined as humans or animals, which can be impacted by project activities.

threatened species, their habitats and protected areas, poaching), and socio-economic and cultural features (e.g. livelihood, resettlement, community social structure, gender, vulnerable groups, health, safety, cultural property, ecosystem services). Receptors/resources which may experience transboundary impacts and global impacts, including greenhouse gas (GHG) emissions, vulnerability to climate-change and potential adaptation and mitigation measures should also be considered.

During the scoping phase, an assessment should also be made of the risk of cumulative impacts – incremental impacts from other third party developments that are planned or probable at the time the impact assessment process is conducted. Impacts from existing third party projects should be considered as part of the project's baseline (see Baseline section below).

The output of the scoping phase is usually a final ToR for the ESIA of the project, including a schedule and implementation plan for the ESIA. Preparation of a ToR for approval by the authorities is often a regulatory requirement in the Bank's Regional Member Countries.

Stakeholder Identification and Engagement

Before initiating the ESIA, relevant stakeholders, especially potentially affected communities, should be identified through a stakeholder mapping analysis, so that adequate engagement and consultation can be carried out during the ESIA process. This stakeholder mapping analysis should inform the development and implementation of a Stakeholder Engagement Plan (SEP) that includes a detailed description of the plan for stakeholder engagement through the ESIA process. (See GN 2.1 on Consultation).

It is fundamental that stakeholder engagement and consultation during the ESIA process is meaningful (i.e. free, prior and informed), and that the borrower or client is ultimately able, through such stakeholder engagement, to achieve Broad Community Support (BCS) for the project, especially Category 1 projects and those affecting Indigenous Peoples (for further details, see GN 2.1) Stakeholder engagement through the ESIA process should also capture the perspectives of vulnerable individuals or groups, and ensure that their requirements for meaningful engagement and consultation are adequately fulfilled (for further details, see GN 2.2 on Vulnerable Groups).

Regular stakeholder engagement activities should be carried out in alignment with the various steps that constitute the ESIA process, and should directly inform the development of the ESIA. At a minimum, for Category 1 projects, stakeholders should be engaged to obtain their input into the preparation of the draft Terms of Reference

(ToR) for the ESIA, the draft ESIA report and summary, and the draft ESMP. At a minimum, for Category 2 projects, the affected communities and stakeholders should be consulted about the draft ESIA report and the draft ESMP. More specifically though, stakeholder engagement activities for Category 1 and 2 projects can, depending upon the nature of the project, be used to provide information to affected communities and stakeholders on:

- The consideration of alternatives.
- The acquisition of baseline data for the ESIA.
- The prediction and definition of impacts.
- The assessment of impact magnitude and significance.
- The identification of measures to avoid, minimize and mitigate impacts.
- The identification of residual impacts.
- The development and implementation of the ESMP.

The links between stakeholder feedback and the constituent elements of the ESIA must be clearly demonstrated, reflecting an attention to stakeholder concerns and perspectives.

Finally, all stakeholder engagement activities constituting part of the ESIA process should be adequately documented, so that such activities and their outcomes can be confirmed and verified. The required process for this should be set out in the ESIA ToR.

Project Definition

The ESIA should start from a clear definition of the project to identify potential sources of impacts. Project information should be collected in sufficient detail to:

- Describe, at a level that can be understood by a lay person, the features, location and activities proposed by the project proponent.
- Facilitate a comprehensive identification of the potential interactions between the project and resources/receptors, and the impacts that could result from the interactions.

In some cases, the ESIA process may be initiated at a point sufficiently far into the overall project design lifecycle that a comprehensive design write-up may be available. In other cases, the ESIA process may be at a point in the lifecycle that this information is not readily available. Consequently, it will be necessary to make a series of clearly described assumptions about project design that may be refined or altered when more information becomes available.

The Project Definition should be sufficient to convey an understanding of what is being proposed, and should

focus on the elements of the project that can potentially interact with resources/receptors to produce significant impacts. Exhaustive descriptions of engineering or process details should be avoided unless warranted for one of these purposes.

Analysis of Alternatives

Project definition should also include identification and comparison of alternatives considered, or likely to be considered in project planning and design, for example for sites, routes, engineering options and technical processes. The unbiased consideration of alternatives to achieve design optimization requires a balance between economic, technical, environmental and social factors, trading off the relative merits and disadvantages of each factor to arrive at the optimum outcome. For this reason the consideration of alternatives should be conducted in collaboration with the project design/engineering team so that all reasonably feasible alternatives are identified and analysed.

Baseline Definition

The ESIA shall use the results of the scoping stage to identify the resources/receptors likely to be significantly impacted by the project, and to initiate the collection of baseline information relevant to these resources/receptors.

The description of the baseline has the following objectives:

- Identify the key environmental, socio-economic, cultural and health conditions in the Area of Influence, focusing on the resources/receptors that may be impacted by the project.
- Describe and, where possible, quantify the current characteristics (nature, condition, quality, extent, etc.) of resources/receptors, and predict their likely future characteristics in the absence of the project.
- Provide data to aid the prediction and modelling of impacts and effects.
- Help establish parameters for measuring impacts during construction and implementation.
- Inform judgments about the sensitivity, vulnerability and/or importance of resources/receptors.

The baseline should take into account current conditions, as well as changing conditions and trends apparent in the project area and Area of Influence (e.g. coastal erosion, depletion of fisheries, etc.). The baseline should also take into consideration other developments in the area that are underway or certain to be initiated in the near future. Developments which are planned or proposed but are not yet committed or certain (i.e. they are behind the project in the planning cycle) should be considered

in the assessment of cumulative impacts, not as part of the baseline.

Impact Assessment and Mitigation

The impact assessment stage comprises a number of steps that assess the manner in which the project will interact with elements of the physical, biological, cultural or human environment to produce impacts to resources/receptors, and identifies the mitigation measures to avoid, minimize or manage adverse impacts. In addition to direct impacts on resources/receptors, the assessment should examine indirect impacts and interactions between resources/receptors triggered by the project.

The steps involved in the impact assessment stage are:

- Identification of potential interactions between the project and the physical, biological, cultural or human environment (based on consideration of information gathered on the project, project alternatives and baseline conditions).
- Identification of the risk of cumulative impacts arising from the combination of the project's impacts with the impacts of other developments.
- Prediction of impacts – determination of what could potentially happen as a result of the project's interaction with the physical, biological, cultural or human environment, (the diverse range of impacts considered in the ESIA process may result in a wide range of prediction methods being used, including quantitative, semi-quantitative and qualitative techniques).
- Definition of impact characteristics - type, extent, duration, scale and frequency of each impact.
- Determination of impact magnitude - the degree of change that the impact is likely to impart upon the resource/receptor, based on its defined characteristics.
- Determination of impact significance– taking account of the sensitivity/vulnerability/importance of the resource/receptor and the magnitude and irreversibility of the impact.
- Identification of measures to avoid, minimize and mitigate impacts, following a mitigation hierarchy.
- Identification of residual impacts (i.e. after mitigation) and measures to offset/compensate for residual impacts.

Environmental and Social Management Plan (ESMP)

The ESIA should incorporate an ESMP that defines the basic management and monitoring measures that are needed to identify whether: a) impacts remain in

conformance with predictions and applicable standards; and b) mitigation measures are effectively addressing impacts, and compensatory measures and offsets are reducing effects to the extent predicted (See GN 1.4 on ESMPs).

This process should include additional elements, such as identification of the individuals or organizations responsible for implementing mitigation measures and assurance mechanisms for use in verifying implementation of mitigation measures. It may also include if needed institutional strengthening measures tailored to the scope and extent of the management measures. The ESMP should also address the measures for information disclosure, the grievance redress mechanism, and the process for continued consultation with and participation of affected people during project implementation.

An ESMP should set out: (i) actions to implement mitigation measures; (ii) a monitoring and reporting program, based on agreed performance indicators; (iii) emergency response procedures; (iv) institutional and organizational arrangements; (v) capacity development and training; (vi) implementation schedule; and (vii) cost estimates.

The ESMP is an action plan agreed to by the Bank and the borrower/client, in effect committing the borrower/client to implement the proposed management measures in compliance with the Bank's OSs and environmental laws and regulations relevant to the borrower. Implementation of the ESMP is normally: (i) a condition of project approval issued by the approving authority; (ii) a condition incorporated into the bidding documents, project construction contracts and operation and maintenance contracts; and (iii) a covenant in the Bank's loan agreement. An ESMP should be subject to amendment during project implementation if any changes occur to the project's design and performance or the relevant environmental and social conditions.

ESIA methodologies

Consideration of Alternatives

The ESIA should include a comparison of technically and financially feasible alternatives to the project. It is recognized that up until some point in the design process, all identified approaches for a particular element are considered to be alternatives, and one is ultimately selected as part of the project design.

In the ESIA context, the selected approach is considered to be part of the project, and the approaches not selected are considered to be project alternatives. Project alternatives generally fall into two major categories:

- Concept level alternatives (e.g. means of delivery, site location, technology or process type, etc.), which may be reviewed in parallel with scoping.
- Detailed alternatives (e.g. method to be used for a pipeline river crossing), which often deal with which type of working method or mitigation approach to utilize, and which would typically be discussed at the resource/receptor/effect level.

The purpose of considering alternatives in an ESIA is to evaluate, early in the process, the possible environmental and social advantages of alternatives to the proposed project design – looking at options for siting, routes, processes and for managing key environmental and social risks. The analysis should consider: capital and recurrent costs; suitability of the design/technology for local conditions; and potential environmental and social impacts, including the feasibility of mitigating unavoidable adverse impacts.

While the analysis of alternatives may commence prior to the start of consultation, it is important that the views of interested parties are considered when choosing: (i) the selection criteria and (ii) alternatives to be assessed, as support for or opposition to an alternative may be a key determinant of whether it is a feasible option or not.

Defining the Study Area

The study area is the area that needs to be studied to understand and describe the baseline conditions likely to be affected by the project. At a minimum, it will encompass the project footprint and the related facilities identified as part of the Area of Influence. In some cases, it may need to be extended further to establish the necessary context for the baseline.

The study area may vary across the various resources considered, depending on the nature of the potential resource/receptor and the specific impacts/effects predicted; it may also vary across the various elements or phases of the project. For this reason, the study area is defined for each resource/receptor, to reflect the area that will be considered in the assessment for that resource/receptor, (e.g. noise study area, land use study area, socio-economic study area etc.).

Assessing Cumulative Impacts

A cumulative impact can be defined as an additional impact that arises as a result of an impact from the project interacting or combining with an impact from another third party planned activity that is not considered to be part of the project's Area of Influence. For example, a residential

receptor at a property positioned between a railway project and an airport may experience the combined effect of noise sources associated with each project. How one should assess such impacts for a project is strongly influenced by the status of the other activities (e.g. already in existence, approved or proposed) and how much data are available about them.

A scenario in which the additional impact of an individual project may not be of great magnitude relative to the total cumulative impact, but is sufficient to bring about a “tipping point” that causes severe adverse impacts to a resource/receptor can illustrate the potential importance of cumulative impacts.

At a practical level, the critical element of an assessment of cumulative impacts is to determine the size of the area around the project that should be assessed, the appropriate period of time to consider within the assessment, and how to practically assess the complex interactions among different projects occurring at different times. In each case, it is necessary to consider the degree to which the individual project will contribute to possible cumulative impacts and whether the borrower/client has any control over the impacts arising from additional projects.

In reality, the active participation of government authorities is typically required in order to assess the incremental contribution of each project to the cumulative impacts; to bring together relevant stakeholders; to agree, monitor and enforce the implementation of the mitigation measures corresponding to each project; to identify any additional mitigation measures required; and to coordinate, ensure and document their implementation.

Use of Interactions Matrix

Both at the scoping stage and the impact assessment stage, an ESIA should apply an “interactions matrix” as a tool to identify possible interactions between project components and resources/receptors. The matrix assists with a methodical identification of the potential interactions each project activity may have with the range of resources/receptors within the Area of Influence but is not itself the means by which the impacts are assessed.

The matrix consists of a list of resources/receptors that could be affected by the project activities, set against a list of project activities. Entries in the matrix cells can then be colored to indicate whether:

- An interaction is not reasonably expected (e.g. white).
- An interaction is reasonably possible but none of the resulting impacts are likely to lead to significant effects (e.g. grey).

- The interaction is reasonably possible and at least one of the resulting impacts is likely to lead to an effect that is significant (e.g. black).

Those interactions that are colored white are ‘scoped out’ of further consideration in the ESIA process. Those interactions that are colored grey are also ‘scoped out’, but a discussion that includes the evidence base (e.g. past experience, documented data, etc.) should be provided to justify the basis upon which this decision was made. Those interactions that are colored black are retained for further consideration in the ESIA process. See Table 1 for an example of an interaction matrix for an inland dock facility.

Determination of Significance

The key element of impact assessment is to determine the significance of impacts on resources/receptors. The task of assigning significance for a given impact involves combining a prediction of the magnitude of an impact with an assessment of the sensitivity/vulnerability/importance of the impacted resource/receptor.

Magnitude

Once the potential impacts are identified, the characteristics of each impact are used (in a manner specific to the resource/receptor in question) to assign each impact a magnitude. Magnitude is a function of the following impact characteristics: extent, duration, scale, frequency, and (for unplanned events only) likelihood.

Magnitude essentially describes the degree of change that the impact is likely to impart upon the resource/receptor. The magnitude designations themselves should be universally consistent across resources/receptors, but the definitions for these designations will vary on a resource/receptor basis as for the definition of the study area. Typical magnitude designations are: negligible, small, medium, large.

The designation of impact magnitude takes into account all the various dimensions of a particular impact in order to make a determination as to where the impact falls on the spectrum (in the case of adverse impacts) from negligible to large. Some impacts will result in changes to the environment that may be immeasurable, undetectable or within the range of normal natural variation. Such changes can be regarded as essentially having no impact provided they do not result in an irreversible change in conditions, and should be characterized as having a negligible magnitude.

Sensitivity/ Vulnerability/Importance

There is a range of factors to be taken into account when defining the sensitivity/ vulnerability/importance of the

Table 3: Example of an Interaction Matrix

[illegible]

resource/receptor, which may be physical, biological, cultural or human. Where the resource is physical (for example, a water body) its quality, sensitivity to change and importance (on a local, national and international scale) are considered. Where the resource/receptor is biological or cultural (for example, a coral reef or a sacred site), its importance (on a local, regional, national or international level) and its sensitivity to the specific type of impact are considered. Where the receptor is human, the vulnerability of the individual, community or wider societal group is considered.

Other factors may also be considered when characterizing sensitivity/vulnerability/ importance, such as legal protection, government policy, cultural significance, stakeholder views and economic value. As in the case of magnitude, the sensitivity/vulnerability/importance designations are universally consistent, but the definitions for these designations will vary on a resource/receptor basis and may be subject to consultation with affected communities or vulnerable groups. Sensitivity/ vulnerability/ importance designations are generally: low, medium, high.

Significance

Once magnitude of impact and sensitivity/vulnerability/ importance of resource/receptor have been characterized, the significance can be assigned for each impact. Impact significance should be designated using a matrix, showing sensitivity/ vulnerability/importance and magnitude of impacts. A framework for assigning significance is as follows:

- An impact of negligible significance is one where a resource/receptor will essentially not be affected in any way by a particular activity, or the predicted effect is deemed to be 'imperceptible' or indistinguishable from natural background variations³.
- An impact of minor significance is one where a resource/receptor will experience a noticeable effect, but the impact magnitude is small (with or without mitigation) and/or the resource/receptor is of low sensitivity/ vulnerability/ importance. In either case, the magnitude should be well within applicable standards.
- An impact of moderate significance has an impact magnitude that is within applicable standards, but falls somewhere in the range between a threshold below which the impact is minor, up to a level that might be just short of breaching a legal limit. Clearly,

to design an activity so that its effects only just avoid breaking a law and/or causing a major impact is not best practice. The emphasis for moderate impacts is therefore on demonstrating that the impact has been reduced to a level that is as low as reasonably practicable (ALARP). This does not necessarily mean that impacts of moderate significance have to be reduced to minor, but that moderate impacts are managed effectively and efficiently.

- An impact of major significance is one where an accepted limit or standard may be exceeded, or large magnitude impacts occur to highly sensitive/ vulnerable/important resource/receptors. One aim of impact assessment is to arrive at a design for a project that does not have any major residual impacts, and certainly none that would endure into the long-term or extend over a large area. However, for some aspects there may be major residual impacts after all practicable mitigation options have been exhausted (i.e. ALARP has been applied). An example might be the visual impact of a facility. It is then the function of regulators and stakeholders to weigh such negative factors against the positive ones, such as employment, in coming to a decision on the project.

Use of Mitigation Hierarchy

The ESIA should apply a mitigation hierarchy in determining the best solutions to the potential impacts. The hierarchy is as follows:

- **Avoid at Source or Reduce at Source:** avoiding or reducing at source through the design of the project (e.g. avoiding by siting or re-routing activity away from sensitive areas, or reducing by restricting the working area or changing the time of the activity).
- **Abate on Site:** add something to the design to abate the impact (e.g. pollution control equipment, traffic controls, perimeter screening and landscaping).
- **Abate at Receptor:** if an impact cannot be abated on-site then control measures can be implemented off-site (e.g., noise barriers to reduce noise impact at a nearby residence or fencing to prevent animals straying onto the site).
- **Repair or Remedy:** some impacts involve unavoidable damage to a resource (e.g. agricultural land and forestry due to creating access, work camps or materials storage areas) and these impacts can be addressed through repair, restoration or reinstatement measures.

3. Examples of natural variation include variations in river flows owing to climate patterns or changes in wildlife breeding owing to food availability.

Table 4: Examples of Policy Reforms and Potential Environmental Linkages

		Sensitivity/Vulnerability/Importance of Resource/Receptor		
		Low	Medium	High
Magnitude of Impact	Negligible	Negligible	Negligible	Negligible
	Small	Negligible	Minor	Moderate
	Medium	Minor	Moderate	Major
	Large	Moderate	Major	Major

- **Compensate in Kind or Compensate Through Other Means:** where other mitigation approaches are not possible or fully effective, compensation for loss, damage and disturbance might be appropriate to restore and improve livelihoods (e.g. planting to replace damaged vegetation, financial compensation for damaged crops or providing community facilities to compensate for loss of access to a natural resource asset or recreation and amenity space).
- **Offsets:** measures to achieve measurable conservation outcomes (e.g. in biodiversity or water resources) designed to compensate for significant residual adverse impacts arising from projects and persisting after appropriate avoidance, minimization and restoration measures have been taken.
- A summary of the applicable Bank OSs, environmental and social screening of the project and any environmental and social scoping undertaken.
- A summary description of the main project features (with a location map and project layout diagram).
- A list of applicable national and local environmental and social assessment policies and legal requirements.
- A summary of typical and likely significant issues (environmental and social) associated with the project.
- A list of feasible project alternatives for consideration.
- An outline of the main impact assessment steps to be followed and the methodology to be used.
- Stakeholder engagement and consultation requirements.
- Definition of ESIA deliverables, reporting schedule and suggested workplan.
- Proposed outline of ESIA report, including ESMP.
- Suggested team composition.
- A proposed budget and program for the ESIA.

Terms of reference preparation

The ToR for an ESIA should provide:

- Background and objectives of the ESIA.

ESIA report content

Project Title:	Project Number:
Country:	Department:
Division:	Project Category:
Executive Summary:	
Introduction:	
Scoping:	
Policy, Legal and Administrative Framework:	
Project Definition:	
Analysis of Alternatives Considered:	
Project Baseline:	
Evaluation of the Environmental and Social Impacts and their Significance	
Expected Residual Effects:	
Summary of Public Consultations and the Opinions Expressed:	
ESMP, including Management Measures, Actions, Roles and Responsibilities, Timeframes, Monitoring and Cost of Implementation: (See also GN on ESMPs).	
Annexes:	

ENVIRONMENTAL AND SOCIAL MANAGEMENT PLANS (ESMP)

Purpose of an ESMP

An ESMP is prepared as an integral part of an ESIA or SESA. Its purpose is to set out the action plan of environmental and social management measures to be implemented by the borrower or client. These measures should aim to achieve the avoidance, minimization or mitigation, including offset or compensation, of adverse environmental and social impacts of the project and to ensure compliance with the OSs. An ESMP is typically presented as a section of the ESIA or SESA but may be designed so that it can be used as a stand-alone document.

An ESMP should include the necessary management measures to achieve its purpose in a timely manner as well as monitoring/supervision/reporting requirements, implementation arrangements, institutional responsibilities, time schedule, costs and associated consultation.

A summary of the SESA/ESIA including the ESMP shall be made available to the public through the ISTS, the Bank's website, the Public Information Center and in the borrowing country.

Scope of an ESMP

The scope of an ESMP should be determined by the assessment of the magnitude and significance of the environmental and social risks and impacts of the project and should be commensurate with these anticipated risks and impacts. The management measures should be feasible and cost-effective and phased with scheduled activities of the project.

The ESMP may include in an integrated manner number of topic-specific management plans, (e.g. construction management, stakeholder engagement, cumulative impacts ecosystem restoration, cultural heritage), depending on the environmental and social risks identified and the results of the impacts assessment. Resettlement Action Plans are handled separately under the ISS. Some plans will be specific to particular phases, (e.g. construction management), but others will run throughout the life of the project.

The ESMP should be considered a dynamic instrument as its management actions may be subject to change as a result of feedback received during project implementation and/or in response to unexpected impacts or impacts with a magnitude different to that predicted at the time the ESIA was finalized.

Key elements of an ESMP

Management Measures

The ESMP should describe the management measures to be implemented for each identified significant environmental and social risk or impact in order to achieve avoidance, minimization or mitigation (including offsets or compensation) of adverse impacts and risks. The description should include the objective of each measure, its specific implementation requirements and responsibilities, its technical and operational requirements, its timing and location, the targets to be achieved and performance indicators for monitoring and supervising the adequacy of safeguard implementation.

Measures included in the ESMP should be broken down into the different project phases – planning/design, construction, operation/maintenance and decommissioning. In all cases, lead responsibility for implementing each measure should be clearly stated, with the involvement of others noted as appropriate.

Monitoring/Reporting

The ESMP should provide clear requirements for an integrated monitoring program to ensure that the management measures are satisfactorily implemented and that the agreed targets for environmental and social protection are achieved. For each measure, the ESMP should provide a specific description and details of technical and operational activities needed to monitor its implementation and its results, with guidance on thresholds or triggers for initiating corrective action. The responsibilities of the borrower, its contractors and any relevant regulatory agencies should be made clear. In addition, a supervision plan should be prepared with safeguard performance indicators specific to

the project to enable the Bank to evaluate compliance with safeguards and determine the need for corrective actions (see Guidance Note on Supervision).

The scope and intensity of monitoring should be commensurate with the anticipated environmental and social risks or impacts. Appropriate professional quality control approaches should be applied to the monitoring of environmental and social performance. An integrated monitoring program may include the need to measure a wide range of physical, biological and socio-economic conditions and indicators, all of which will need appropriate methods, technical analysis and expert judgment.

The ESMP should include the scope, timing and responsibilities for reporting on the ESMP, including inclusion of ESMP monitoring and implementation information into the Quarterly Implementation Reports. The ESMP should also set out specific actions to be taken by the borrower or client or its contractors in order to report in a timely and effective manner on failure to implement measures successfully or to meet the desired targets and on any remedial actions.

The borrower or client's ESMP monitoring program shall form a major element of the Bank's activities to monitor the implementation of the ESMP and compliance with the OSs during the lifetime of the project. The results of monitoring activities may have implications for the borrower or client's compliance with loan conditions and actions to be taken in the case of failure to comply. For example, in extreme cases, the Bank may decide to suspend the disbursement of the operation.

Implementation Plan and Institutional Responsibilities

The ESMP should include a description of the implementation arrangements and the overall institutional responsibilities. The plan should clarify the responsibilities of the borrower or client and any government agency with relevant responsibilities. It should also indicate where it is expected that the borrower or client will need to hire consultants or specialized organizations to carry out specific elements of the plan.

Where needed, the ESMP should include capacity strengthening or training deemed appropriate for the borrower or client, or government agency, involved in implementation or monitoring of the ESMP. This may include the establishment or expansion of an environmental and social management unit within the borrower or client organization. Other elements may include technical cooperation programs, equipment and supplies procurement and organizational changes. Program or sector investments may require a more comprehensive approach to upgrading environmental and social management capacity.

Multiple works programs will require a clear description of the overall corporate/program environmental and social management framework or system.

Contractors

An ESMP should specifically address the management measures that will be the responsibility of contractors and primary suppliers hired by the borrower or client. In such cases, the ESMP should specify the specific environmental and social management requirements to be included in tender documents and contracts, as well as monitoring, supervision and reporting requirements to be fulfilled by contractors.

The range of contractors' environmental and social management responsibilities includes the direct, indirect and cumulative effects of their activities, such as construction, but also the indirect effects of the behaviour of their workforce. It should also include attention to health and safety and labour requirements.

Time Schedule and Costs

The ESMP should include an integrated time schedule and budget for its implementation. The schedule should indicate the timing, duration and frequency of specific management measures in relation to the overall phases of project implementation. The budget should include initial and recurring expenses of management measures, monitoring and supervision and necessary capacity building activities. It should also be clear about the sources of funding, especially if multiple donors are involved.

Consultation

The ESMP should include a plan for any consultation and stakeholder engagement activities deemed necessary to support the implementation of the ESMP, including making information about planned management measures and monitoring activities available in a timely manner to affected communities. The results of consultation activities on the selection and design of management measures should be indicated. (See GN 2.1 on Consultation).

It should also cover the establishment of any Grievance and Redress Mechanism required under the Bank's ISS. Consultation should be an integral element of monitoring the implementation of environmental and social management measures.

Inclusion in the Loan Agreement

The project loan agreement should include the monitoring, supervision and reporting measures stipulated in the

ESMP. It may also include the borrower or client's environmental and social staffing, budget, scope of work and institutional arrangements; internal environmental

and social supervision and audit arrangements; and provisions for correction of lapses in compliance and remediation of impacts.

ANNEX 1

Project Title:	Project Number:
Country:	Department:
Division:	Project Category:
Summary:	
Project Description	
Results of Environmental and Social Impact Assessment (Environmental and Social Risks or Impacts Identified):	
Description of Environmental and Social Management Measures for each Environmental and Social Risk or Impact Identified:	
Proposed Management Measure and its Objective:	
Technical and Operational Requirements of Management Measure:	
Monitoring/Reporting	
Measures should be broken down into– planning/ design, construction, operation/ maintenance and decommissioning phases	
Implementation Plan and Institutional Responsibilities	
Contractor Responsibilities	
Timeframe and Costs	
Consultation	
Overall Reporting and Supervision Arrangements	
Annexes:	

ANNEX 2

[illegible]

ENVIRONMENTAL AND SOCIAL FRAMEWORKS (ESMF)

Purpose of an ESMF

An ESMF is prepared for Bank operations that finance multiple, small-scale subprojects whose location, scope and design are not known at the time the Bank appraises and approves the operation. Consequently, environmental and social assessment and other safeguard measures can only be established during program implementation. In all cases, an ESMF establishes a unified process to address all environmental and social safeguard issues for subprojects from preparation, through appraisal and approval, to implementation. It thereby ensures compliance with the Bank's safeguards (specifically the requirements in OS 1 concerning program lending designated as Category 2).

The ESMF normally assumes a model of program design and execution through which the borrower supports beneficiaries to develop their subproject applications so that they avoid or minimize environmental and social risks. It further assumes that the program will fund extension teams to assist beneficiaries prepare subproject applications, including any required training. Most importantly, it should include adequate institutional mechanisms to allow the borrower to implement its environmental and safeguards system so that the subprojects are in compliance with Bank safeguards.

Objectives and scope of an ESMF

The ESMF is designed primarily for Bank-funded operations that finance programs that in turn generate small-scale subprojects whose adverse environmental and social impacts and risks can usually be addressed satisfactorily through known available mitigation and management measures implemented at the community level with necessary extension support. Where subprojects have environmental or social issues that cannot be addressed in this manner, an ESMF can provide for additional project-funded technical assistance to prepare more detailed plans to be implemented at the subproject level such as an Environmental and Social Management Plan (ESMP) or Resettlement Action Plan (RAP).

Project managers should consult with environmental and social specialists to ensure that the proposed subprojects will be small-scale and therefore manageable under the ESMF.

The objectives of an ESMF include:

- Establishing clear procedures and methodologies for the environmental and social assessment, review, approval and implementation of subprojects to be financed under the program.
- Specifying appropriate roles and responsibilities, and outlining the necessary reporting procedures for managing and monitoring environmental and social risks related to subprojects.
- Determining the training, capacity building and technical assistance needed to successfully implement the provisions of the ESMF.
- Establishing project funding required to implement the ESMF requirements.
- Providing lessons learned for application to future programs.

The scope of the ESMF will depend upon which safeguard issues are triggered by the scope of the program and thus need to be addressed in the ESMF, (e.g., land acquisition and access to resources, natural habitats or cultural heritage).

Preparing the ESMF

Tasks to undertake in preparing an ESMF include the following:

- A detailed description of the program, its components (especially the funded subcomponents) and implementation arrangements, paying particular attention to how subprojects will be identified, prepared, approved and implemented, and how funds will flow to approved subprojects.
- An analysis of the legislative, regulatory and administrative regime (e.g., protection of natural habitats and cultural heritage, pollution control,

resettlement, etc.) within which the project will operate, with a focus on requirements applicable to the planning/design, approval and implementation of subprojects.

- Determination of institutional capacity for implementing the ESMF. This should include an analysis of the authority and capability of the relevant institutions at local, district, provincial/regional and national levels and their capacity to manage, monitor and supervise the implementation of the ESMF. Such an analysis may cover new laws and regulations or their revision, new agencies or agency functions, cross-sectoral arrangements, management/organization procedures, training, staffing, budgeting and financial support.
- A training and capacity building program for the institutions responsible for implementing and supervising the ESMF at local, district, provincial/regional and national levels, as necessary.
- Technical assistance to communities, service providers and public-sector institutions to support the implementation of the ESMF. This may involve supporting studies examining changing access to natural resources, potential impacts upon a protected area, use of pesticides, or potential impacts upon indigenous people.
- An estimated budget for implementing the ESMF.

It is crucial that these tasks are clearly linked to the project cycle for the subprojects so that they may be phased with overall project implementation. To assist this linkage, demonstrated phasing arrangements should be incorporated into any Implementation Manual prepared for the program.

During preparation of the ESMF the need for in-country consultation and field visits should be reviewed. Consultation and the gathering of information and data should cover the national to the lowest level where subprojects will be proposed, approved and implemented. While it is assumed that communities will develop their sub-project applications, it is important to identify the review authorities (those clearing subproject applications for approval) and approval authorities (those making final approval decisions). The procedures used will need to be consistent with applicable national and local environmental assessment and planning approval/permitting procedures.

Where there are many subprojects, monitoring and evaluation becomes a challenge. Thus, third party annual or semi-annual reviews should be funded to assess

compliance with the Bank's environmental and social safeguards, derive lessons learned and help improve project performance. It should be noted that annual

reviews would become a major source of information for Bank supervision missions.

ESMF report

Contents of the report should include:

- An executive summary.
- An introduction describing the purpose, objectives and methodology of the ESMF.
- A description of the program operation, identifying: the components that will finance sub-projects; anticipated types of subprojects, and types that will be excluded from financing; project coordination and implementation arrangements, with details of institutional arrangements for managing the subproject cycle; and, annual reporting and performance review requirements.
- Environmental and social baseline information at national and regional levels with stipulation of required information and studies to be conducted within a given timeframe.
- Procedures for conducting an appropriate level of environmental and social assessment of subprojects, consistent with the requirements of the Bank's OSs, identifying the impacts to be managed or mitigated.
- Measures to develop appropriate Environmental and Social Management Plans (ESMPs) of subprojects, including identification of mitigation measures for the impacts of subprojects (physical works or management activities); the objective of each measure, its specific implementation requirements and responsibilities, its technical and operational requirements, its timing, the targets to be achieved and performance indicators for monitoring and supervising the adequacy of safeguard implementation.
- Clear requirements for monitoring and subproject supervision to ensure that the management measures are satisfactorily implemented and that the agreed targets for environmental and social protection are achieved. The responsibilities of the borrower, its contractors and any relevant regulatory agencies should be made clear. Accordingly, a supervision plan should be prepared with guidance on thresholds or triggers for initiating corrective action and safeguard performance indicators to enable the Bank to evaluate compliance with safeguards and determine the need for corrective actions.
- The scope, timing and responsibilities for reporting on the ESMF. This should include specific actions to be taken by the borrower or client or its contractors

to report in a timely manner on failure to implement measures successfully or to meet the desired targets and any remedial actions. (Note: the borrower's/client's ESMF monitoring program shall form a major element of the Bank's activities to assure compliance with the OSs during the lifetime of the program. The results of monitoring activities may have implications for the borrower's/client's compliance with loan conditions and actions to be taken in the case of failure to comply).

- Where needed, requirements for capacity strengthening or training deemed appropriate for the borrower or client, or government agency, involved in the ESMF implementation or monitoring. This may include the establishment or expansion of an environmental and social management unit within the borrower or client organization. Other elements may include technical cooperation programs, equipment and supplies procurement and organizational changes.
- A description of the implementation arrangements and the overall institutional responsibilities. It should clarify the responsibilities of the borrower or client and any government agency with relevant responsibilities and also indicate where it is expected that the borrower or client will need to hire consultants or specialized organizations to carry out specific elements of the ESMF.
- Requirements for consultation with local communities and stakeholders, both during subproject preparation and ESMP development and during subproject implementation.
- Cost estimate and source of funds.

Contractors

An ESMF should specifically address the management measures that will be the responsibility of contractors and primary suppliers hired by the borrower or client to implement subprojects. In such cases, the ESMF should specify the specific environmental and social management requirements to be included in tender documents and contracts, as well as monitoring, supervision and reporting requirements to be fulfilled by contractors. Such requirements should also be incorporated in the program's operational manual.

The range of contractor's environmental and social management responsibilities includes the direct, indirect and cumulative effects of their activities, such as construction, but also the indirect effects of the behaviour of their workforce. It should also include attention to health and safety requirements.

Time Schedule and Costs

The ESMF should include an integrated implementation schedule and budget.. The schedule should indicate the timing, duration and frequency of specific management measures in relation to the overall phases of project implementation. The budget should include initial and recurring expenses of management measures, monitoring and supervision and necessary capacity building activities. It should also be clear about the sources of funding, especially if multiple donors are involved.

Consultation

The ESMF should include a process for any consultation and stakeholder engagement activities deemed necessary to support the implementation of the ESMF, including making information available in a timely manner to communities about planned subproject management measures and monitoring activities.

It should also cover the establishment of any Grievance and Redress Mechanism required under the OSs. Consultation should be an integral element of monitoring the implementation of measure designed to address social and environmental impacts.

Loan Agreement

The loan agreement should include monitoring, supervision and reporting measures stipulated in the ESMF; the borrower's/client's E&S staffing, budget, scope of work and institutional arrangements; internal E&S supervision and audit arrangements; and provisions for correction of lapses in compliance and remediation of impacts – such as reporting on key performance indicators.

ANNEX 1

Format of Report: Environmental and Social Management Framework (ESMF)

Project Title: Project Number:
Country: Department:
Division: Project Category:
Summary
Introduction, Including ESMF Purpose, Objectives and Methodology
Description of Program Operation: <ul style="list-style-type: none"> a. Components to Finance Subprojects; b. Anticipated Types of Subproject; c. Types of Subproject to be Excluded from Financing; d. Project Coordination and Implementation Arrangements; and e. Annual Reporting and Performance Review.
Environmental and Social Baseline (National and Regional Level): <ul style="list-style-type: none"> a. Required Information; and b. Studies to be Conducted and Time Frames.
Procedures for Environmental and Social Impact Assessment of Subprojects
Measures to Develop Appropriate Environmental and Social Management Plans (ESMPs) for Subprojects: <ul style="list-style-type: none"> a. Identification of Mitigation Measures; b. Objectives of each Mitigation Measure; c. Each Mitigation Measure's Implementation Requirements and Associated Responsibilities; d. Each Mitigation Measure's Technical and Operational Requirements; and e. Each Mitigation Measure's Timing.
Monitoring and Subproject Supervision: <ul style="list-style-type: none"> a. Requirements for Monitoring and Subproject Supervision; b. Roles, Responsibilities and Supervision Plan; and c. Corrective Action Triggers and Performance Indicators.
Reporting Arrangements: <ul style="list-style-type: none"> a. Scope; b. Timing; and c. Responsibilities.
Requirements for Training and Capacity Building
Implementation Arrangements (Including Consultation) and Institutional Responsibilities
Cost Estimate and Sources of Funds
Schedule

ANNEX 2

Project Activity	Anticipated Environmental and Social Impacts	Proposed Management Measure(s) and Objective of Management Measure(s)	Technical and Operational Requirements of Management Measure(s)	Monitoring and Reporting (including performance indicators)	Implementation Plan and Institutional Responsibilities	Timing	Cost Estimates	Consultation	Comments
Pre-Construction (Planning/Design) Phase									
Construction Phase									
Operation and Maintenance Phase									
Decommissioning Phase									



ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS (ESMS) FOR FINANCIAL INTERMEDIARIES (FIS)

Purpose of an ESMS

Bank lending to Financial Intermediaries (FIs) involves the provision of finance for on-lending for investment in subprojects that may result in adverse environmental and social impacts. The Bank's OSs require the FI to demonstrate that it has developed or will develop an effective Environmental and Social Management System (ESMS) to apply the requirements of the Bank's OSs to the subprojects of the investment – in a manner appropriate to the scale and nature of the FI's operations. Usually the exact scale and nature of an FI's subprojects cannot be determined in advance so it is essential to establish a system for ensuring that any impacts of subprojects are adequately assessed and managed by the client of the FI.

The FI's ESMS must therefore provide a framework for integrating environmental and social risk management into its business processes through the use of environmental and social due diligence procedures implemented concurrently with the FI's existing risk management arrangements. Consequently, the ESMS should ensure that the FI identifies and implements the appropriate environmental and social management measures for its subprojects prior to loan or investment approval by the FI and that the FI also implements the necessary level of supervision of subprojects during the term of the loan or investment agreement.

FIs typically include banking institutions, leasing companies, microfinance institutions and private equity funds. Under the Bank's OS 1, FIs also include private and public sector companies that receive corporate loans or loans for investment plans from the Bank for financing a series of subprojects.

OS 1 requires that a summary of the FI's ESMS must be disclosed to the public locally, normally through the FI's website.

Scope of an ESMS

An FI's ESMS is a set of policies, procedures, tools and organizational capacity used to identify and manage the environmental and social risks associated with its portfolio and ensure that the Bank's OSs are applied by an FI to its on-lending or investment in subprojects. The ESMS should therefore incorporate the FI's environmental and social safeguard policy and its procedures for applying the policy to sub-projects. It should be proportionate to the scale and nature of the FIs operations. A key element of an ESMS is the management commitment, organizational capacity, resources and expertise needed to implement safeguards requirements effectively to assure compliance with the Bank's OSs.

The Bank's OS 1 states that an ESMS for an FI should be appropriate to the nature and scale of the proposed portfolio of subprojects to be financed. The Bank recognizes that FI operations vary to a great degree and some may have proposed portfolios that have minimal environmental and social risk owing to their scale or type. Accordingly, the OS 1 categorization for FIs has three sub-categories (FI-A, FI-B, FI-C) designed to assist the Bank and the FI in determining the appropriate scope, scale and function of an ESMS and the level of environmental and social monitoring and reporting the FI should carry out.

- **FI-A: High Risk.** This sub-category indicates that the FI's proposed portfolio may include individual subprojects with likely significant and/or irreversible adverse environmental and social impacts equivalent to OS 1 Category 1. (e.g. large scale project finance in high risk sectors, such as mining).
- **FI-B: Medium Risk.** This sub-category indicates that the FI's proposed portfolio may include individual subprojects with limited adverse environmental and social impacts that are few

in number, site specific and largely reversible or readily minimized - equivalent to OS 1 Category 2, (e.g. SME financing in light manufacturing).

- **FI-C: Low Risk.** This sub-category indicates that the FI's proposed portfolio includes subprojects that have minimal or no adverse environmental or social impacts equivalent to OS 1 Category 3, (e.g. microfinance in activities not requiring natural resources).

The table below sets out the criteria and requirements for these FI sub-categories.

Preparing an ESMS

The task of preparing an ESMS should involve an early assessment of the FI's proposed portfolio to determine the likely level of environmental and social risk and to determine the scale of the ESMS accordingly. Other factors to take into account include:

- The FI's management commitment and organizational capacity.
- The type of financial transactions the FI will support.

Table 5: FI Subcategories

FI Sub-Categories:	FI-A High Risk	FI-B Medium Risk	FI-C Low Risk
FI criteria for sub-categorization:	The FI's proposed portfolio may include individual subprojects with likely significant and/or irreversible adverse environmental and social impacts equivalent to OS 1 Category 1, (e.g. large scale project finance in high risk sector, such as mining).	The FI's proposed portfolio may include individual subprojects with limited adverse environmental and social impacts that are few in number, site specific and largely reversible or readily minimized - equivalent to OS 1 Category 2, (e.g. SME financing in light manufacturing).	The FI's proposed portfolio includes subprojects that have minimal or no adverse environmental or social impacts equivalent to OS 1 Category 3. (e.g. microfinance in activities not requiring natural resources).
FI ESMS requirements	A full ESMS including: Environmental and social policy statement. Application of Exclusion List. An environmental and social screening procedure to identify subprojects equivalent to Category 1 (or 2) and that require a full environmental and social assessment process, resulting in an ESMP and/or Full RAP commensurate with the level of potential impacts and risks. Disclosure of a summary of the ESMS available to the public locally on its website.	A simplified ESMS including: Environmental and social policy statement Application of Exclusion List A simple environmental and social screening procedure to identify subprojects equivalent to Category 2 and a limited environmental and social assessment process, resulting in an ESMP and/or an Abridged RAP commensurate with the level of potential impacts and risks. Disclosure of a summary of the ESMS available to the public locally on its website.	ESMS need only apply the Exclusion List and ensure subprojects are in compliance with local laws and regulations.
Environmental and Social Monitoring and Reporting by FI	The FI should report to the Bank on a regular (quarterly) basis indicating how subprojects have been categorized and providing details of environmental and social assessment agreed with clients for subproject deemed to be equivalent to category 1 or 2. Reporting should also include monitoring of the client's implementation of ESMP/FRAP.	The FI should report to the Bank on an annual on the results of their screening, categorization, application of ESA procedures and ESMP measures agreed with clients. It should also report on monitoring of client's implementation of agreed mitigation measures.	The FI should report to the Bank on an annual basis confirming that its portfolio of subprojects still present minimal risk of environmental and social impact, taking account the possible cumulative effects of its portfolio.
	The FI should report any major environmental, social or health and safety incident, such as a serious non-compliance, pollution incident, community impact, worker fatality or equivalent to the Bank as soon as is feasible.		

- The FI's existing risk management framework and transaction cycle, including any existing ESMS.
- The overall environmental and social conditions in which the FI is operating.
- The national and local legal and regulatory environment.

After an assessment to determine the risk sub-category, the Bank should work with the FI to agree the appropriate scale and content of the ESMS. Typically, an FI's ESMS should include:

- The Corporate Policy on Environmental and Social Governance.
- An environmental and social screening system to determine the environmental and social impacts of subprojects (using criteria equivalent to the Bank's OS 1 Categories).
- A procedure for ensuring an appropriate level of environmental and social assessment and adequate environmental and social management measures to meet the Banks OSs are agreed with the client.
- Sufficient organizational and managerial capacity to implement the ESMS effectively, including a dedicated environmental and social specialist in the case of a high-risk FI.
- Means to ensure that the application of its environmental and social assessment procedure and the implementation of mitigation measures are monitored and reported to the Bank.

Although support from the Bank may be useful or necessary in providing expertise on planning for and managing environmental and social risks, the process of developing the ESMS should be led by the FI. This ensures that the ESMS is tailored to its existing internal processes and procedures, is relevant for the local market and respects national and local regulations.

In the case of small medium risk FIs that may have limited organizational capacity for environmental and social due diligence, such as those on-lending to SMEs, it may be appropriate for the FI to adopt or adapt the AfDB Framework Environmental and Social Management System for SME Financing, including any tools (e.g. categorization) or resources (e.g. sector guidance) included within it.

The FI should allocate sufficient time and resources to staff to develop the ESMS. Operational staff responsible for implementing the ESMS on a daily basis should also be intimately involved in the development process. Their input on the operational aspects of the ESMS will ensure that the management system is practical. Involving operational staff early on in the process will also help build ownership and commitment to the ESMS when it is implemented.

Procedures for managing environmental and social risk need to be applied in tandem with other risk management procedures already in place at each stage of the transaction cycle. To ensure this, an FI may need to revise the procedures that support its existing risk management framework by incorporating considerations of environmental and social risk throughout the transaction cycle or developing a stand-alone ESMS operations manual to formally document the environmental and social risk management process.

The Bank shall ensure that the client has developed an adequate ESMS before the FI lending operation is approved. In certain circumstances, where the environmental and social risk is moderate, the Bank may accept an implementation plan by the FI to develop the ESMS.

Content of an ESMS

The ESMS should be designed to manage the level of environmental and social risk that the FI's proposed portfolio may present, depending on the type of financial transactions, the types of clients/investees and the type of its subprojects.

The key elements of an effective ESMS are:

- **Background.** A description of the FI's proposed portfolio, risk management framework, transaction approval processes, implementation arrangements,, reporting and performance review requirements.
- **Corporate Environmental and Social Policy.** The FI's policy should state its commitment to managing environmental and social risks to which it might be exposed to as a result of transactions and clients in its portfolio and to respecting local laws and regulations.
- **Screening Procedure.** The FI should screen all transactions to determine if it will proceed with a given transaction. It should apply the Bank's Exclusion List and categorize transactions according to the level of environmental and social risk to determine the equivalence with the Bank's OS 1 Categories and to define the scope of the environmental and social assessment that will be necessary.
- **Environmental and Social Risk Assessment Procedures.** The FI should adopt procedures to conduct environmental and social assessment to meet the Bank's OSs. For medium-risk transactions, the FI should initiate a limited environmental and social assessment, including an overview of the client's operations, which may require a site visit, to identify potential environmental and social impacts and to satisfy itself that the client complies with all applicable regulatory requirements. For high-risk

transactions, such as substantial project finance, a full environmental and social assessment will be necessary to fully understand potential environmental and social impacts associated with the client's operations. Typically the FI should retain the services of consultants.

- **Decision-making, Institutional Responsibilities and Organizational Capacity.** The ESMS should set out how decisions are made on environmental and social risk categorization and in determining environmental and social management measures, including resulting loan agreement covenants. The respective roles and required competencies of senior management, loan officers, risk analysts and ESMS staff members should be clarified and weaknesses in capacity noted.
- **Tools.** Guidance notes and other relevant tools for effective implementation of the ESMS, including guidance on risk categorization, environmental and social assessment methods, industry sector guidance, ESMPs and monitoring.

- **Monitoring and Reporting.** The ESMS should provide clear requirements for a monitoring and reporting on subprojects to ensure that the management measures are satisfactorily implemented and that the agreed targets for environmental and social protection are achieved.
- **Implementation Plan.** The FI should develop an implementation plan with a time schedule for completing each task and identification of designated responsible staff. It should also include a periodic review of the ESMS to ensure continuous improvement.

Where needed, the ESMS should include capacity strengthening or training deemed appropriate for the FI. This may include the establishment or expansion of an environmental and social management unit within the FI with a designated ESMS Officer and clear lines of communication to senior management. Other elements may include technical assistance, equipment and supplies procurement and organizational changes.

ANNEX 1

Format of report: Environmental and Social Management System (ESMS)

Project Title:	Project Number:
Country:	Department:
Division:	Project Category:
Summary	
Introduction	
FI's Environmental and Social Safeguard Policy and Procedure for Application to Sub-Projects:	
Corporate Policy on Environmental and Social Governance	
FI Categorization: (FI-A (High Risk), FI-B (Medium Risk) or FI-C (Low Risk)):	
Background: Description of Proposed FI Operations -- Nature and Scale:	
Potential Environmental and Social Risks Associated with FI Operations:	
Proposed Environmental and Social Impact and Risk Management Process:	
Screening:	
ESA:	
Implementation Tools:	
Monitoring and Sub-Project Supervision Arrangements:	
Reporting Arrangements:	
ESMS Implementation Capacity to Assure Compliance with OSs:	
Management Commitment and Capacity:	
Organizational Capacity:	
Resources and Expertise:	
Requirements for Training and Capacity Building:	
Implementation Plan:	
Annexes:	

SUPERVISION OF ENVIRONMENTAL AND SOCIAL COMPLIANCE

Purpose of supervision

During the implementation of Bank operations, it is the responsibility of the borrower or client to implement the agreed ESMP, to monitor its implementation and to report regularly to the Bank on its performance. At the same time, the Bank is responsible for supervision of the borrower's or client's ESMP performance and overall compliance with the Bank's Operation Safeguards (OSs).

The supervision process is intended to maximize the effectiveness of measures to avoid, prevent, minimize, mitigate or offset adverse environmental and social impacts and risks during project implementation. It may involve a range of different tasks, such as visiting project sites, meeting with the borrower/client and affected communities and other stakeholders, and reviewing environmental and social monitoring reports and agreeing corrective actions as necessary.

The main components of the Bank's supervision include the following:

- Planning the appropriate level of supervision.
- Review of the borrower's Quarterly Implementation Reports.
- Participation of Bank's environmental and social experts in supervision missions.
- If needed, a full OS compliance review.
- Preparation of Environmental and Social Compliance Reports.

It is the responsibility of the borrower/client to implement the agreed ESMP (and RAP if applicable) and any measures in the loan conditions and covenants. The borrower is also responsible for monitoring environmental and social impacts induced by a project, monitoring performance indicators, and reporting regularly on: (a) implementation status and compliance with the agreed measures; and (b) the findings of monitoring programs and performance of mitigation or other corrective actions, if any.

It is the responsibility of the Bank to supervise the borrower/client's performance of the ESMP/RAP and the response to any unanticipated environmental and social risks. Key issues for effective supervision of OS compliance include the following:

- Careful attention should be given to supervision of Category 1 projects and those Category 2 projects deemed to require high level of focus on safeguards compliance.
- During project implementation additional actions may be required for projects with insufficient environmental and social management provisions stipulated in the original ESMP.
- Additional budget may be required if there is not an adequate budget to supervise safeguards compliance.
- Qualified environmental and social specialists should be included in supervision missions.
- Supervision findings should be regularly uploaded into the Bank's Integrated Safeguards Tracking System (ISTS).

Objectives and scope

The main objectives of the Bank's supervision of environmental and social compliance are to: (1) assess compliance with all specified environmental and social measures in the ESMP and/or RAP, and the project loan conditions and covenants; (2) identify the level of project-related negative environmental and social impacts that may occur during implementation; (3) identify the levels of future environmental and social risk; (4) identify corrective actions as needed; and (5) assess local perceptions of the implementation of the project.

Planning for supervision.

Early during project preparation, the Sector Department and borrower/client should agree arrangements for supervision of compliance with the OSs during project implementation. The Sector Department should develop a plan for Bank supervision of OS compliance within the context of overall supervision arrangements. The plan should be proportionate with the scale of the environmental and social risk, the expected scope of the ESMP, and

should also take account of broader country and sector-wide environmental and social issues, the capacity of implementing agencies and their past performance. The extent of resources required for OS compliance supervision is related to the level of environmental and social risk. Higher risk projects (Category 1 and some Category 2 and 4 projects) will require more resources.

Planning for Bank supervision should also ensure that the borrower/client has involved stakeholders (including affected groups and local non-governmental organizations) to ensure that their views and concerns have been taken into account. For projects with significant environmental and social risks, mechanisms should be established to conduct ongoing consultation or participatory processes with affected parties or beneficiaries during project implementation.

Supervision during project implementation

During project implementation, supervision of compliance with the OSs requires actions by Sector Department environmental and social specialists to:

- Support the project team and the borrower/client to implement the ESMP and monitor its performance.
- Verify compliance with ESMP measures and, when necessary, identify corrective actions.
- Review all Quarterly Implementation Reports.
- If needed, participate in a full OS compliance review.
- Participate in regular supervision missions.

During implementation, the focus of compliance supervision should be to establish that:

- Mitigation/management measures have been or are being implemented according to the ESMP or RAP (e.g. agreed steps are being taken to reduce pollution to acceptable levels, procedures are in place to ensure that sensitive areas/communities are being adequately protected, the proposed measures in the RAP for improvement of livelihood and standards have been or are being implemented as scheduled).
- Institutional requirements (including capacity building and staffing) are in place or are being implemented according to agreed arrangements including scheduling (e.g. institutions are taking responsibility for implanting or executing a particular activity; contract clauses in tender documents are being observed; training is being implemented).

- Steps are being taken to ensure that all monitoring and/or reporting requirements for mitigation/protection measures are in place, including advance warning of adverse changes to environmental and/or social conditions resulting from implementation.
- Arrangements for public consultation/participation are being observed in instances where there is a requirement for this in the ESMP or other preparatory document.

Continued difficulties in safeguards implementation, or newly identified safeguards concerns, may require special attention beyond normal supervision over the life of a project. Unforeseen changes in project design, implementation arrangements, stakeholder concerns, changes in project areas of influence, or government reorganization can add concern. In such cases, the Bank, in consultation with the borrower, may choose to undertake supplemental supervision actions.

Review of Quarterly Implementation Reports and Participation in Supervision Missions

The borrower/client reports to the Bank's Sector Departments on the implementation of the ESMP as part of the Quarterly Implementation Reports that it submits to the Bank. In turn, the Sector Department is responsible for reviewing the Reports. The results of their review are included in the Implementation Progress and Results Report (IPR) (see Annex 1).

Environmental and social specialists shall also participate in regular supervision missions, according to the agreed supervision plan. A clear mission objective and TORs should be developed for the environmental and social specialists or consultants participating in a supervision mission. This is especially important for high-risk projects (generally Category 1 projects). The specialists appointed should have experience in handling safeguards in similar projects in the sector, region or in the same implementing agency; address institutional complexities and capacities of the relevant agencies for management/monitoring; and advise on skills needed by the borrower/client staff and consultants and third parties.

The environmental and social specialists should plan their mission on the basis of information from the borrower on the status of ESMP implementation. Adequate time and resources need to be allocated for field visits, meetings with the borrower and executing agencies (both in their office and on-site), and consultations with project beneficiaries and/or affected groups. In general, at the end of the supervision mission, the environmental and social specialist should update the team leader on the findings

and recommendations of the mission, including requests for additional information, follow-up, corrective actions and corrective action plans, as necessary.

If any non-compliance is observed or unexpected impacts arise, the Sector Departments shall request the borrower to review the ESMP in collaboration with relevant stakeholders, as appropriate. Changes to the ESMP must be cleared by the Sector Departments before being implemented. These could be result from changes to construction time frames, introduction of a new component, or identification of previously unanticipated impacts such as cumulative effects. The Bank and borrower must again reach agreement and make the necessary adjustments to the monitoring plans and reporting requirements.

The Sector Departments shall update the ISTS to detail the status of compliance supervision resulting from review of Quarterly Implementation Report or Supervision Missions.

Full OS Compliance Review

In specific circumstances, the Compliance and Safeguards Division (ORQR.3) shall initiate a full compliance review, usually when there is reliable

evidence that compliance with the ESMP or with OS requirements overall is unsatisfactory. These full compliance reviews should also be used as a means to address serious non-compliance or inadequate implementation of ESMP measures. They also serve to assess the performance of the Bank's safeguards compliance system (see Annex 2 for format).

Project completion

Safeguards issues are addressed at the end of the project in an Environmental and Social Completion Report (ESCR) completed by the Sector Department (see Annex 3 for format). This should reflect the history of safeguards implementation and monitoring, and provide insight into any problems and resolutions that have occurred over the life of the project.

Depending upon safeguards requirements established during the planning phase, specialists might be needed to provide final compliance status, especially when there have been outstanding significant environmental and social safeguards issues.

ANNEX 1

Environmental and Social Content in Implementation Progress and Results Report (IPR)

The intent of this annex is to outline the environmental and social information that shall be incorporated into Section C.1 of the IPR.

Section C.1 Compliance with Covenants

C.1b Compliance with Environmental and Social Safeguards:

The rating should be based on the number / proportion of safeguard measures implemented and completed in a timely manner

4 – Highly Satisfactory: All safeguard measures – as specified in the ESMP:

- are expected to be met at the time of reporting.

3 – Satisfactory: At least 75% of safeguard measures – as specified in the ESMP –

- are expected to be met at the time of reporting. Minor delays in compliance (usually 6 months)
- are being experienced for conditions not yet met. Actions to address the issues related to unmet conditions are under implementation.

2 – Unsatisfactory: Between 50% and 75% of safeguard measures – as specified in the ESMP:

- are expected to be met at the time of reporting. Substantial delays in compliance (usually 6-12 months) are being experienced for conditions not yet met. Corrective actions have to be implemented and closely monitored.

1 – Highly Unsatisfactory: Less than 50% of safeguard measures – as specified in the ESMP:

- are expected to be met at the time of reporting. Major delays in compliance (over 12 months) are being experienced for conditions not yet met. Immediate management attention is required and sanctions are envisaged.

Rating (this report):

Rating (previous report):

Assessment: The status of ESMP implementation should be described and any issues that remain outstanding should be detailed.

ANNEX 2

Format: Full OS Compliance Review Report

Project Title:	Project Number:
Country:	Department:
Division:	Project Category:
ORQR.3 Staff Member Responsible for Full Compliance Review:	
Description of Review Methodology:	
Review Date:	
Key Elements of ESMP and/or RAP:	
Assessment of Compliance with ESMP and/or RAP:	
Reasons for Non-Compliance:	
Corrective Actions:	

ANNEX 3

Format of Report: Environmental and Social Completion Report (ESCR)

Project Title:	Project Number:
Country:	Department:
Division:	Project Category:
Key Elements of ESMP:	
Assessment of ESMP and/or RAP Implementation:	
Evaluation of Results of ESMP and/or RAP Implementation:	
Other Environmental and Social Impacts not Foreseen in ESMP:	
Lessons Learned:	

COUNTRY SYSTEMS IN THE APPLICATION OF THE ISS

What are country systems in the context of the ISS

In the context of the Bank's ISS, a country system (CS) shall mean the country's own policies, procedures and institutional mechanisms for applying environmental and social safeguards⁴.

The Bank's policy is to strengthen the capacity of RMCs' CSs and to place a growing degree of reliance on them in implementing its ISS. The key criterion for determining the suitability of an RMC's CS in this context is "Equivalence / Acceptability". The Bank would consider an RMC's environmental and social safeguard system to be equivalent to the Bank's if the RMC's system is designed to achieve the objectives and adhere to the applicable operational principles of the Bank's safeguards. Equivalence can be assessed with the RMC system as a whole or on a piecemeal (policy-by-policy) basis. Before deciding on the reliance on a CS, the Bank should also assess the acceptability of the RMC's implementation practices, track record, and capacity.

The rationale for taking CS into consideration can be traced back to the Paris and Accra Declarations⁵ on harmonisation and alignment of environmental and social assessments.

Reliance on country systems in the Bank's ISS

One of the strategic objectives of the ISS is to contribute to the strength and capacity of CSs for integrating environmental and social concerns into policy, program and project decision-making. In so doing, the Bank can rely to an increased extent on the RMC's Environmental and Social Assessment requirements and practices.

There are two principal scenarios where analysis and support for a CS can form part of the dialogue between the Bank and the borrower.

- The Bank can respond to a "demand-driven" focus on an RMC's CS at the national level with a view to analysing its strengths and weaknesses and developing options for a country action plan to strengthen its CS. This may take place in the context of developing a CSP, for example.
- The Bank may initiate an assessment of the RMC's CS on a case-by-case basis to determine its equivalence or acceptability for applying the Bank's OSs at the project level. This would take place as part of project preparation and appraisal, using a simple tool to focus on areas of high concern related to the project's scope and addressing potential challenges in the borrower's OS compliance and implementation.

Challenges associated with a CS Approach

In most, if not all, African countries, environmental and social assessment requirements are not packaged in a single system, but are found within a number of processes:

- The Environmental Impact Assessment process, originally focused on natural resource protection, and increasingly incorporating more environmental and social themes (e.g. pollution control, cultural property and, to some extent, vulnerable groups). These EIA processes, however, never approach the breadth and depth of the Environmental and Social Assessment requirements (OS 1) of the ISS. The EIA process is usually managed from within the Environment agency.
- The processes linked to land acquisition, including the demarcation of the land to be taken, the legal process used to transfer property, the identification of potentially affected persons, the assessment of

4. Also « a country's legal and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures. » (World Bank)

5. Practically all African countries have adhered to the Declaration, to which a total of 137 countries have adhered as of February 2013

Extracts from “The Paris Declaration on Aid Effectiveness” (2005) and “the Accra Agenda for Action” (2008) OECD

Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.⁴ **Highly Satisfactory:** All safeguard measures – as specified in the ESMP:

Donors and partner countries jointly commit to:

- Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.
- Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.

their prior income and assets, the compensation and resettlement processes and the monitoring of the status of resettled people. These land acquisition processes are disconnected from the EIA process in many countries and the lead responsibility is usually within an agency in charge of Land Affairs. There may in some cases not be an alignment between these national land acquisition requirements and practices and OS 2 of the ISS.

- Processes that address OS 3 through 5 are distributed within a variety of national requirements and institutions with the Ministry of Labour usually in charge of OS 5 and multiple combinations of institutions for the other 2 OSs (Ministry of Environment, but also Ministries of Agriculture, Industry or others).
- A complicating factor is the increasing role, for decentralisation purpose, played by provincial and/or local authorities in managing or becoming involved with EIA and land acquisition processes.

Reliance on the CS for selected Bank-funded projects is at the heart of the efforts made so far to pilot the CS by MDBs following the Paris Declaration. Lessons learned so far can be summarised as follows:

- The amount of upstream resources spent on analysing the country system is significant and requires substantial inputs from legal/safeguard specialists.
- Dialogue with the borrower is key to understanding the motivations and actual commitment of the relevant national authorities.
- Agreement on the objectives of the CS is important and that alignment on objectives and principles should be the focus of the dialogue between the Bank and the borrower.
- Savings on CS preparation can be obtained by i) preparing a CESAR or a framework SDR (ideally tied to the CSP preparation cycle), performing a single analysis of CS for two or more projects in the same

country and ii) working in multi-stakeholder mode, in particularly by making the fullest possible use of analyses conducted by other development agencies.

- Key factors influence the effectiveness of the CS, although these are sometimes buried in the overall safeguards approach: e.g. timely report dissemination, for instance, an area where most African countries underperform, can be very important in determining effectiveness.

Hence, reliance on the CS should be framed within an approach that combines risk taking and enhanced preparation/supervision in order to maximise development impact.

Implementing a Bank CS approach

Enhancing an RMC's CS

The Bank has decided to take the first steps towards the enhancement of RMC's CSs in preparation for future increased reliance, starting with a preliminary analysis of six pilot countries. The Bank wishes to start building national and local legal and technical capacities before moving towards an increased reliance on CSs. This capacity enhancement is designed to be included in a broader legal, training and financial support at the regional level.

The Bank is therefore gearing up to respond to “demand-driven” opportunities to assess the equivalence and strength of an RMC's CS and help those of the borrowers that are most interested in participating in a future regional ESA capacity enhancement program. The experience of other MDBs⁶ shows that the reliance on a CS has been based on a specialised “Safeguards Diagnostic Review” (SDR). SDR encompasses not only the ESA requirements “in the book”, but also the actual institutional processing of safeguards.

A demand driven analysis of an RMC's CS can and should lead to the preparation of a specific capacity building operation. This is the case, for instance in the context of the CESAR, a regional capacity building operation under consideration by the Bank.

In this context, the safeguard specialist should focus on the following:

- Assess, jointly with the borrower, the state of development of the country system using as many information sources as possible.
- Compare it with ISS requirements, both in terms of equivalence and acceptability.
- Provide the borrower with the elements that allow it to identify the key actions required to enhance the country system in order to help prepare and supervise projects in a manner consistent with the ISS.
- Based on the above, design and process a capacity building program. The program can also be integrated into a broader lending operation as the capacity building component e.g. for a large infrastructure investment. The financial resources should be commensurate with the scope of the capacity building requirement.
- Ensure the supervision of the capacity building project and prepare for its evaluation.

Assessing CSs at the Project Level

As part of preparing an ESA for Category 1 or 2 projects, the borrower with support from the Bank's safeguard specialists should include an assessment of the RMC's requirement and practice as a key element of the legal and regulatory framework. At a minimum, the current legislation, regulatory requirements and institutional capacity needs to be described, and any inconsistency between national and local requirements needs to be identified, analysed and resolved. More often than not, Bank safeguards go beyond the national requirements, but, in exceptional cases, national requirements may go beyond Bank safeguards. The national and local requirements should then be compared with Bank OS requirements in a very simple equivalence/acceptability matrix. See Annex 1.

This analysis should form an integral part of the ESA:

- For a Category 1 project, the full ESA should contain a chapter on national legal and regulatory requirements, containing a detailed analysis of

institutional capacity and effective implementation of the legal framework and rules as appropriate to the Bank project under preparation.

- Also for Category 1 projects, project approval by national authorities is required as part of Bank's safeguard implementation. This project approval should include certified compliance with RMC's environmental and social assessment requirements in the form of:
 - Review and approval by the national authorities of the ESA report and/or the Resettlement Action Plan, as relevant, prior to loan approval.
 - Integration in the project's ESMP of any mitigating activity recommended by the national EIA/land management authorities as condition of its approval of the ESA report.
- For Category 2 projects, a short analysis of national operational requirements should be included in the ESA and national environmental authorities should approve the project before appraisal.
- For any project that has gone through the national EIA/land acquisition processes, Bank supervision should include periodic contacts with the relevant national authorities to check that project's environmental and social performance is consistent and compliant with national requirements with the view of issuing compliance certificate at completion stage.

In selected cases, the Bank may decide to rely on the CS to meet the Bank's OS requirements. The RMC's ESA requirements and practice would become a proxy for the application of Bank OSs. This requires an approach that involves the description and analysis of the country requirements, but also a thorough analysis of the level of risks taken by the Bank in accepting that proxy, both at the project preparation and supervision stages.

Key Principles for Reliance on CSs at the Project Level

Bank safeguard specialists should focus on the following:

- Identify the priority projects for which CS will be tried applying the following criteria:
 - Projects in a sector where the application of the country system has a good track record.
 - Projects with moderate impacts (preferably Category 2 projects).
 - Projects where the lead implementing agency is interested in piloting the CS and displays a good track record on national safeguard implementation.

- Screen the projects for their likely environmental and social impacts. This should include the identification of the applicable national laws and regulations as well as the main stakeholders and finish with a recommended action plan to apply the country system.
- Assess the state of development of the CS using as many information sources as possible, such as the most recent information available on –country– environmental profiles. National authorities should be closely associated with this phase.
- Compare the CS with ISS requirements, both in terms of equivalence and acceptability depending on resource availability using a matrix-form analysis putting in perspective the five OSs and the national requirements/practices (see annex 1).
- Ensure the effective supervision of the project using the CS. Experience shows that the borrower’s commitment is key to the success of the operation. Having a good logical framework helps focus supervision on the key indicators and measure progress.

ANNEX 1 – Simplified Equivalence/Acceptability Matrix

ISS Operational Safeguards	Equivalence rating	Acceptability rating	Main deficiencies	Bottlenecks (context)	Required changes to allow ADB to rely on the CS
1. Environmental and Social Assessment					
2. Involuntary resettlement: land acquisition, population displacement and compensation					
3. Biodiversity and eco-systemic services					
4. Pollution prevention & control, GHG, hazardous materials and resource efficiency					
5. Labour conditions; health and safety					



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