



The Environmental and Social Norms of the Islamic Development Bank

Environmental and Social Norm 1 (ESN1): Assessment and Management of Environmental and Social Risks and Impacts



Acronyms and Abbreviations

AESR	Annual Environmental and Social Report
ACHPR	African Commission on Human and Peoples Rights
AMR	Anti-microbial Resistance
BC	Black Carbon
BMP	Biodiversity Management Plan
CBD	Convention on Biological Diversity
CBO	Community Based Organization
CDD	Community-Driven Development
CHMP	Cultural Heritage Management Plan
CO ₂	Carbon Dioxide
CITES	Convention on the International Trade in Endangered Species
CSO	Civil Society Organization
DLI	Disbursement Linked Indicator
DUC	Dam Under Construction
EHSGs	World Bank Group Environmental, Health and Safety Guidelines
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
EITI	Extractive Industries Transparency Initiative
EPRP	Emergency Preparedness and Response Plan
ES	Environmental and Social
ESA	Environmental and Social Assessment
ESP	Environmental and Social Plan
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESNs	Environmental and Social Norms
FAO	Food and Agriculture Organization (of the UN)
FI	Financial Intermediary
FPIC	Free, Prior and Informed Consent
GBV	Gender-Based Violence
GCF	Green Climate Fund
GHG	Greenhouse Gas
GM	Grievance Mechanism
GMO	Genetically Modified Organism
GIIP	Good International Industry Practice
HIA	Health Impact Assessment
HSMP	Health and Safety Management Plan
HVRMs	Highly Vulnerable Rural Minorities
IDEV	Independent Development Evaluation Department
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organization
IPP	Indigenous Peoples Plan
IPM	Integrated Pest Management
IRM	Independent Recourse Mechanism
ISS	Integrated Safeguards System
IUCN	International Union for the Conservation of Nature
IVM	Integrated Vector Management
LIMP	Labour Influx Management Plan
LMPs	Labour Management Procedures
MFI	Multilateral Financial Institution
NGO	Nongovernmental Organization
NSO	Non-Sovereign Operation
O&M	Operation and Maintenance
OHS	Occupational Health and Safety
OP	Operational Policy

OS	Environmental and Social Operational Safeguard
POPs	Persistent Organic Pollutants
PMP	Pest Management Plan
PPP	Public-Private Partnership
RAP	Resettlement Action Plan
RBF	Results-Based Financing
RCIP	Riparian Communities Involvement Plan
RHA	Risk Hazard Assessment
RMC	Regional Member Country
SDGs	Sustainable Development Goals
SEAH	Sexual Exploitation and Harassment
SEP	Stakeholder Engagement Plan
SESA	Strategic Environmental and Social Assessment
SO	Sovereign Operation
SPV	Special Purpose Vehicle
TA	Technical Assistance
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples

Introduction

1. The aim of this overarching Environmental and Social Norm (ESN), along with the ESNs that complement it, is to mainstream environmental and social considerations; including those related to climate change vulnerability; into IsDB operations and thereby contribute to sustainable development in the continent.
2. Environmental and social assessment work carried out under ESN1 helps to determine the scope and extent to which other ESNs are addressed. It sets out the Client's responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of an operation supported by the Bank. The Bank reviews and discloses all documentation related to a project's environmental and social assessment in accordance with ESN1, ESN10 (Stakeholder Engagement and Information Disclosure) and the Bank's Policy on Disclosure and Access to Information, prior to presenting an operation¹ to the Bank's Board of Executive Directors (BED).
3. The ESNs are designed to help Clients manage the risks and impacts of their projects, activities or other undertakings, and improve their environmental and social performance, through a risk and outcomes-based approach. The desired outcomes for such are described in the objectives of each ESN, followed by specific requirements to help Clients achieve these objectives through means that are appropriate to the nature and scale of the project, activities or other undertakings and proportionate to the level of environmental and social risks and impacts.
4. ESN1, together with ESN10 (Stakeholder Engagement and Information Disclosure) provides the overall process framework for the environmental and social assessment and management of Bank supported projects at the level of the project, activities or other undertakings supported by the Bank.

Objectives

5. The objectives of ESN1 are as follows:
 - Identify and assess the environmental and social risks and impacts—including those related to gender inequalities, climate change and vulnerability—of Bank, investment and grant-supported operations, in their areas of influence in a manner consistent with the ESNs.
 - Provide opportunity for stakeholder engagement and consultation in the process of assessing and managing the environmental and social risks and impacts.
 - To adopt a mitigation hierarchy approach to:
 - Anticipate and avoid risks and impacts.

¹ Bank operations may support projects, sets of activities or other undertakings under various financial instruments. Unless stated otherwise the term 'project' means any project, set of sub-projects or activities and other undertakings supported by the IsDB through its operations.

- Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels.
 - Once risks and impacts have been minimized or reduced, mitigate; and
 - Where significant residual impacts remain, compensate for or offset them, where technically² and financially³ feasible.
- To adopt differentiated measures so that adverse impacts do not fall disproportionately on the vulnerable⁴, and they are not disadvantaged in sharing development benefits and opportunities resulting from the project.
 - To utilize national environmental and social institutions, systems, laws, regulations and procedures in the assessment, development and implementation of projects, whenever appropriate.
 - Contribute to strengthening member country (MC) systems for environmental and social risk management by assessing and building their capacity to meet Bank environmental and social requirements.

Scope of Application

6. This ESN applies to all of the IsDB's supported projects and activities.
7. Where the Bank is jointly supporting a project with other multilateral or bilateral agencies, the Client will cooperate with the Bank and such agencies in order to agree on a common approach to the assessment and management of environmental and social risks and impacts of the project. A common approach will be acceptable provided that such approach will enable the project to achieve objectives materially consistent with the ESNs⁵. The Client will be required to apply the common approach to the project.
8. ESN1 also applies to all Associated Facilities. Associated Facilities will meet the requirements of the OSs, to the extent that the Client has control or influence over such Associated Facilities⁶.
9. For the purposes of this ESN, the term 'Associated Facilities' means facilities or activities that are not supported by the Bank but which in the judgement of the Bank are carried out or are planned to be carried out as a necessary requirement for the project supported by the Bank to be viable.

² Technical feasibility is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment, and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity, and operational reliability.

³ Financial feasibility is based on relevant financial considerations, including relative magnitude of the incremental cost of adopting such measures and actions compared to the project's investment, operating, and maintenance costs, and on whether this incremental cost could make the project nonviable for the Client.

⁴ Vulnerability is not an inherent characteristic of people and does not occur in a vacuum. Women for instance are not inherently more vulnerable than men; but discrimination, entrenched social roles and attitudes, poverty and lack of access to decision-making can weaken their resilience and render them vulnerable to project risk and adverse impacts. Vulnerability is thus context-specific and is to be understood through the interplay of three factors: (i) exposure to risk and adverse impacts; (ii) sensitivity to those risks and impacts; and (iii) adaptive capacity.

⁵ In determining whether the common approach or the requirements referred to are acceptable, the Bank will take into account the policies, standards and implementation procedures of the multilateral or bilateral funding agencies. The measures and actions that have been agreed will be included in the ESMP.

⁶ The Client will be required to demonstrate the extent to which it cannot exercise control or influence over the Associated Facilities by providing details of the relevant considerations, which may include legal, regulatory and institutional factors.

10. Where:

- (a) A common approach has been agreed for the project; the common approach will apply to the Associated Facilities;
- (b) Associated Facilities are being funded by other multilateral or bilateral funding agencies, the Client may agree with the Bank to apply the requirements of such agencies to the Associated Facilities provided that such requirements will enable the project to achieve objectives materially consistent with those of the ESNs.

11. Where the Bank is supporting a project involving a Financial Intermediary (FI), and other multilateral or bilateral funding agencies have already provided supporting to the same FI, the Client may agree with the Bank to rely on the requirements of such other agencies for the assessment and management of environmental and social risks and impacts of the project, activities or other undertakings, including the institutional arrangements already established by the FI, provided that such requirements will enable to project, activities or other undertakings to achieve objectives materially consistent with those of the ESNs.

Requirements

A. General

12. The Client will assess, manage and monitor the environmental and social risks and impacts of the project throughout the project life cycle so as to meet the requirements of the ESNs in a manner and within a timeframe acceptable to the Bank⁷.

13. The Client will:

- (a) Conduct an environmental and social assessment of the proposed project, including stakeholder engagement;
- (b) Undertake stakeholder engagement and disclose appropriate information in accordance with ESN10;
- (c) Develop an ESMP, and implement all measures and actions set out in the Support agreement between the Bank and the Client including the ESMP; and
- (d) Conduct monitoring and reporting on the environmental and social performance of the project against the ESNs.

14. Where the ESMP requires the Client to plan or take specific measures and actions over a specified timeframe to maximize positive impacts and avoid, minimize, reduce, mitigate or compensate specific risks and adverse impacts of the project, the Client will not carry out any activities in relation to

⁷ In establishing the manner and an acceptable timeframe, the Bank will take into account the nature and significance of the potential environmental and social risks and impacts, the timing for development and implementation of the project, the capacity of the Client and other entities involved in developing and implementing the project, and the specific measures and actions to be put in place or taken by the Client to address such risks and impacts.

the project that may cause material adverse environmental or social risks or adverse impacts until the relevant plans, measures or actions have been completed in accordance with the ESMP.

15. If the project comprises or includes existing facilities or existing activities that do not meet the requirements of the ESNs at the time of Board approval, the Client will adopt and implement measures satisfactory to the Bank in the ESMP so that specific aspects of such facilities and activities meet the requirements of the ESNs in a timeframe and manner satisfactory to the Bank.

16. The project, activities or initiatives will be guided by the relevant requirements of the IsDB's ES Guidance Notes. When host country requirements differ from the levels and measures presented in the Guidance Notes, the Client will be required to achieve or implement whichever is more stringent. If less stringent levels or measures than those provided in the Guidance Notes are appropriate in view of the Client's limited technical or financial constraints or other specific project circumstances, the Client will provide full and detailed justification for any proposed alternatives through the environmental and social assessment. This justification must demonstrate, to the satisfaction of the Bank that the choice of any alternative performance level is consistent with the objectives of the ESNs and the applicable IsDB Guidance Notes and is unlikely to result in any significant environmental or social harm.

B. Use of Client's Environmental and Social Framework

17. If the Client and the Bank propose to use all, or part, of the Client's E&S Framework for management of proposed project E&S risks and impacts, the Bank will review the Client's E&S Framework⁸ in accordance with the requirement of paragraph 19. The Client will provide information to the Bank in connection with the assessment⁹.

18. If the assessment identifies gaps in the Client's E&S Framework, the Client will work with the Bank to identify measures and actions to address such gaps. Such measures and actions may be implemented during project preparation or project implementation and will include, where necessary, measures and actions to address any capacity development issues pertaining to the Client, any relevant national, subnational or sectoral implementing institution, and any implementing agency. The agreed measures and actions, together with the timeframes for their completion, will form part of the ESMP.

19. The Client will take all actions necessary to maintain its E&S Framework, as well as acceptable implementation practices, track record, and capacity, in accordance with the measures and actions identified in the ESMP, throughout the project life cycle. The Client will notify and discuss with the Bank any significant changes in the Client's E&S Framework that may affect the project¹⁰. If the E&S Framework is changed in a manner inconsistent with the requirement of paragraph 19 and the ESMP, the Client will carry out, as appropriate, additional assessment and stakeholder engagement in accordance with the ESNs and propose changes to the ESMP for approval by the Bank.

⁸ The Client's E&S Framework will include those aspects of the host country's policy, legal and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules and procedures and implementation capacity relevant to the environmental and social risks and impacts of the project. Where there are inconsistencies or lack of clarity within the Client's E&S Framework as to relevant authorities or jurisdiction, these will be identified and discussed with the Client. The aspects of the Client's existing ES Framework that are relevant will vary from project to project, depending on such factors as the type, scale, location and potential environmental and social risks and impacts of the project and the role and authority of different institutions.

⁹ The information provided by the Client will assist in determining whether and to what extent the Client's E&S Framework can be used to enable the project to address the risks and impacts of the project, and achieve objectives materially consistent with the ESNs. The Client will provide to the Bank recent studies and assessments conducted by the Client or reputable third parties, including on other projects developed in the country, to the extent these are relevant to the proposed project.

¹⁰ If, in the opinion of the Bank, such changes serve to improve the Client's ES Framework, the Client will apply such changes to the project.

C. Environmental and Social Assessment

20. The Client will carry out an environmental and social assessment¹¹ of the project proposed for Bank support to assess its environmental and social risks and impacts throughout the project life cycle¹². The assessment will be proportionate to the potential risks and impacts, and will assess, in an integrated way, all relevant direct¹³, indirect¹⁴ and cumulative¹⁵ environmental and social risks and impacts throughout the project life cycle, including those specifically identified in ESNs 2 to 10, as well as contextual issues, such as the prevailing political economy, which may affect how risks and impacts manifest themselves.

21. The environmental and social assessment will be based on recent and current information, including an accurate description and delineation of the project, activities or other initiatives and any associated aspects, and environmental and social baseline data at an appropriate level of detail sufficient to inform both the risk classification and the identification and thorough assessment of the risks, impacts and mitigation measures. The assessment will identify and evaluate the project's environmental and social risks and impacts; examine project alternatives; identify ways to improve project selection, siting, planning, design and implementation in order to apply the mitigation hierarchy for adverse environmental and social impacts and identify opportunities to enhance the positive impacts of the project. The environmental and social assessment will include stakeholder engagement as an integral part of the assessment, in accordance with ESN10.

22. The environmental and social assessment will be an adequate, accurate, and objective assessment and presentation of the risks, impacts and measures; the assessment will be prepared by qualified and experienced persons. For High-Risk (Category A) projects, as well as situations in which the Client has limited capacity, the Client will retain independent specialists to carry out the environmental and social assessment.

23. The Client will ensure that the environmental and social assessment takes into account in an appropriate manner all issues relevant to the project, including: (a) the host country's applicable policy framework, national laws and regulations, and institutional capabilities (including implementation) relating to environment and social issues; variations in country conditions and project context; country

24. environmental or social studies; national environmental or social action plans; and obligations of the country directly applicable to the project under relevant international treaties and agreements; (b)

¹¹ The Client, in consultation with the Bank, will identify and use appropriate methods and tools, including scoping, environmental and social analyses, investigations, audits, surveys and studies, to identify and assess the potential environmental and social risks and impacts of the proposed project. These methods and tools will reflect the nature and scale of the project, and will include, as appropriate, a combination (or elements of) the following: environmental and social impact assessment (ESIA); environmental and social audit; hazard or risk assessment; social and conflict analysis; resettlement action plan; vulnerable group plan; etc. Specific features of a project may require the Client to utilize stand-alone specialized methods and tools for assessment, for example a Cultural Heritage Management Plan, Biodiversity Compensation Plan, Pest and/or Vector Management Plan, Hazardous Waste Management Plan, etc. Where the project is likely to have significant sectoral or regional impacts, a sectoral or regional SESA may be required to be completed during the implementation of the project in support to the country's strategy for the sector or region.

¹² This may include preconstruction, construction, operation, decommissioning, closure and reinstatement/ restoration.

¹³ A direct impact is an impact that is caused by the project and occurs contemporaneously in the location of the project.

¹⁴ An indirect impact is an impact that is caused by the project and is later in time or farther removed in distance than a direct impact but is still reasonably foreseeable. Indirect effects may include growth inducing effects and other effects related to induced changes in the pattern of land use, population density or growth rate, and related effects on air and water and other natural systems, including ecosystems. When analyzing GHG emissions, indirect impacts include the end use of the development, for example the burning of fossil fuel is an indirect impact of a pipeline construction.

¹⁵ The cumulative impact of the project is the incremental impact of the project when added to impacts from other relevant past, present and reasonably foreseeable developments as well as unplanned but predictable activities enabled by the project that may occur later or at a different location. Cumulative impacts can result from individually minor but collectively significant activities taking place over a period of time. The environmental and social assessment will consider cumulative impacts that are recognized as important on the basis of scientific concerns and/or reflect the concerns of project-affected parties. The potential cumulative impacts will be determined as early as possible, ideally as part of project scoping.

applicable requirements under the ESNs; and (c) the EHSGs, and other relevant Good International Industry Practice (GIIP)¹⁶. The assessment of the project, and all proposals contained in the assessment, will be consistent with the requirements of this paragraph.

25. The environmental and social assessment will always apply the mitigation hierarchy¹⁷, which will:

26. Anticipate and avoid risks and negative impacts.

27. Where avoidance is not possible, minimize or reduce risks and impacts to an acceptable degree.

28. Once risks and impacts have been minimized or reduced, mitigate¹⁸ ; restore and/or compensate for adverse impacts on the environment and project affected persons.

29. Where significant residual impacts remain, compensate for or, in the case of biodiversity and habitat losses, offset them¹⁹, where technically and financially feasible²⁰.

30. The environmental and social assessment, informed by the scoping of the issues, will take into account all relevant environmental and social risks and impacts of the project, including:

31. Environmental risks and impacts, including: (i) those identified in the E&S Operational Safeguards, cross-cutting policies and strategies and Environmental, Health, and Safety Guidelines (EHSGs) such as impacts related to noise, vibration, pollution, wastes, soil integrity, hydrogeology, visual and landscape²¹; (ii) those related to community safety (including dam safety and safe use of pesticides and other chemicals); (iii) those related to climate change²² and other trans-boundary or global risks and impacts; (iv) any material threat to the protection, conservation, maintenance and restoration of natural habitats and biodiversity; and (v) those related to ecosystem services and the use of living natural resources, such as fisheries and forests; and

- Social risks and impacts, including: (i) impacts on people's way of life, their culture, social structure, their community (including from a legacy perspective); (ii) threats to human safety and

¹⁶ Good International Industry Practice (GIIP) is defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. The outcome of such exercise should be that the project employs the most appropriate technologies in the project-specific circumstances.

¹⁷ The mitigation hierarchy is further discussed and specified in the context of ESNs 2-10, where relevant.

¹⁸ The requirement to mitigate impacts includes resettlement as well as measures to assist affected parties to improve or at least restore their livelihoods as relevant in a particular project setting.

¹⁹ The Bank has reservations regarding the long-term success of biodiversity offsets, and since during due diligence there are often material uncertainties, the Bank will exercise a precautionary approach in considering biodiversity offsets.

²⁰ The Client will make reasonable efforts to incorporate the costs of compensating and/or offsetting for the significant residual impacts as part of project costs. The environmental and social assessment will consider the significance of such residual impacts, the long-term effect of these on the environment and project-affected people, and the extent to which they are considered reasonable in the context of the project. Where it is determined that it is not technically or financially feasible to compensate or offset for such residual impacts, the rationale for this determination (including the options that were considered) will be set out in the environmental and social assessment and may be a basis for the implicated project component/activity not proceeding.

²¹ The Bank prepares guidance and technical notes on environmental, health, safety, social, security, gender and climate issues. The Bank may also refer to guidance and guidelines prepared by other multilateral financial institutions such as the World Bank Group Environmental, Health, and Safety Guidelines (EHSGs). These Bank and other documents provide general and industry-specific statements of Good International Industry Practice. The EHSGs contain the performance levels and measures that are generally considered to be achievable in new facilities by existing technology at reasonable cost. For complete reference, consult, the Bank's website and the following link:

http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/ehsguidelines.

²² The Bank requires an assessment of vulnerability to climate change as part of its project appraisal process for public and private sector operations; any mitigating measures that result from that assessment are included in the operation with measures that result from the larger environmental and social assessment itself.

security²³ through the escalation of personal, communal or inter-state conflict, crime or violence including GBV/SEAH; (iii) risks that project impacts fall disproportionately on individuals and groups who, because of their particular circumstances, may be vulnerable²⁴; (iv) any prejudice or discrimination toward individuals or groups in providing access to development resources and project benefits, particularly in the case of those who because of their particular circumstances may be vulnerable; (v) negative economic and social impacts relating to the involuntary taking of land or restrictions on land access and use; (vi) risks or impacts associated with land and natural resource tenure and use²⁵, including (as relevant) potential project impacts on local land use patterns and tenurial arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources; (vii) impacts on the health, safety and well-being of workers and project-affected communities; (viii) risks to cultural heritage and (ix) digital risks²⁶.

32. Where the environmental and social assessment of the project identifies specific individuals or groups as vulnerable, the Client, in consultation with members of vulnerable groups, will propose and implement differentiated measures so that adverse impacts do not fall disproportionately on the vulnerable, and they are not disadvantaged in sharing any development benefits and opportunities resulting from the project. The Bank may assist Clients to screen, identify and assess vulnerability in project areas upon their request and within the limits of available resources. The presence of factors that cause vulnerability should be analyzed, as should project impacts, the capacity to cope with, or adapt to, such impacts; and the potential for such impacts to be mitigated in a way that takes account of the specific vulnerabilities or marginalization status in question.

33. For projects involving multiple subprojects²⁷, that are identified, prepared and implemented during the course of the project, the Client will need to demonstrate to the Bank, before project appraisal, through the preparation of E&S documentation of a sample of subprojects, that it has the capacity to carry out appropriate environmental and social assessment of subprojects, and prepare and implement such subprojects in accordance with the national laws and the ESNs

34. The environmental and social assessment will also identify and assess, to the extent appropriate, the potential environmental and social risks and impacts of Associated Facilities. The Client will address the risks and impacts of Associated Facilities in a manner proportionate to their control or influence over the Associated Facilities. To the extent that the Client cannot control or influence the Associated Facilities to meet the requirements of the ESNs, the environmental and social assessment

²³ Threats to human security includes reprisal risks

²⁴ See ESN7 for a full treatment. 'Vulnerable' refers to those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project's benefits. Such an individual/group is also more likely to be excluded from or unable to participate fully in the mainstream consultation process and as such may require specific measures and/or assistance to do so. Depending on the specific context of the project, vulnerable groups may include, amongst others, female-headed households, the landless, the elderly, youth and children, persons with disabilities, groups who are marginalized on the basis of ethnicity, religion as well as language and highly vulnerable rural minorities including groups referred to as indigenous peoples in some contexts. Vulnerability is not an inherent characteristic of people and does not occur in a vacuum. Women for instance are not inherently more vulnerable than men; but discrimination, entrenched social roles and attitudes, poverty and lack of access to decision-making can weaken their resilience and render them vulnerable to project risk and adverse impacts. Vulnerability is thus context-specific and is to be understood through the interplay of three factors: (i) exposure to risk and adverse impacts; (ii) sensitivity to those risks and impacts; and (iii) adaptive capacity.

²⁵ Due to the complexity of tenure issues in many contexts, and the importance of secure tenure for livelihoods, careful assessment and design is needed to help ensure that projects do not inadvertently compromise existing legitimate rights (including collective rights, subsidiary rights and the rights of women) or have other unintended consequences, particularly where the project supports land titling and related issues. In such circumstances, the Client will at a minimum demonstrate to the Bank's satisfaction that applicable laws and procedures, along with project design features (a) provide clear and adequate rules for the recognition of relevant land tenure rights; (b) establish fair criteria and functioning, transparent and participatory processes for resolving competing tenure claims; and (c) include genuine efforts to inform affected people about their rights and provide access to impartial advice.

²⁶ Digital risks are those related to cybersecurity, data privacy and data management resulting from the creation, delivery and use of digital and information technologies.

²⁷ Paragraphs 30 to 31 do not apply to a Bank supported project with multiple small subprojects, as in the case of community-driven development projects, projects involving matching grant schemes, or similar projects designated by the Bank.

will also identify the risks and impacts that the Associated Facilities may present to the project.

35. The Client will seek opportunities to enhance the positive impacts of a project that are consistent with the ESNs and technically and financially feasible.

36. For projects that are High Risk (Category A) or contentious, or that involve serious multidimensional environmental or social risks or impacts, the Client may be required to engage one or more internationally recognized independent experts. Such experts may, depending on the project, be engaged individually or form part of an advisory panel or be otherwise employed by the Client, and will provide independent advice and oversight to the project²⁸.

37. The environmental and social assessment will also consider risks and impacts associated with the primary suppliers²⁹, as required by ESN2 and ESN6. The Client will address such risks and impacts in a manner proportionate to the Client's control or influence over its primary suppliers as set out in ESN2 and ESN6.

38. The environmental and social assessment will consider potentially significant project related trans-boundary and global risks and impacts, such as impacts from effluents and emissions, increased use or contamination of international waterways, emissions of climate pollutants³⁰, and impacts on threatened or depleted migratory species and their habitats. The environmental and social assessment will also incorporate assessments of climate change mitigation, adaptation and resilience issues, as appropriate³¹.

D. Environmental and Social Management Plan

39. The Client will develop and implement an Environmental and Social Management Plan (ESMP)³², which will set out measures and actions required for the project to achieve compliance with the ESNs over a specified timeframe³³. The ESMP will be agreed with the Bank, be binding and referred to in the supporting agreement between the Bank and the Client.

40. The ESMP will take into account the findings of the environmental and social assessment, the Bank's environmental and social due diligence, project-related risks associated with climate change and gender inequality and the results of engagement with stakeholders. It will be an accurate summary of the material measures and actions required to maximize the positive impacts and to avoid, minimize, reduce, mitigate or compensate the environmental and social risks and adverse impacts of the project³⁴.

²⁸ This requirement relates to independent advice and oversight of such projects and is not related to circumstances in which the Client will be required to retain independent specialists to carry out environmental and social assessment, set out in paragraph 19 to 25.

²⁹ Primary suppliers' are those suppliers who provide directly to the project goods or materials essential for the core functions of the project, a set of activities or other initiatives, including during the implementation phase. 'Core functions' of a project constitute those production and/or service processes essential for a specific project activity without which the project, activities or other initiatives cannot continue.

³⁰ This includes all greenhouse gases (GHGs) and black carbon (BC).

³¹ Climate risk/vulnerability assessments, climate risk management plans, as part of the Environmental and Social Assessment.

³² The ESMP is the summary of the project's environmental and social risks and impacts, and the set of all the environmental and social measures necessary for the adequate management of those project-associated risks and impacts, including resettlement measures. In addition, it can be simple or include several sub-plans (waste, biodiversity, emergency preparedness, etc.) depending on the scope and nature of the project. All IFIs and MCs have requirements for a project level plan to address environmental and social risks and impacts of projects; they may have differing terminology and titles (ESAP, ESCP, ESMP, ESMS, etc.) but they essentially have the same purpose and constituent parts. See the Annexes to this ESN for further information.

³³ The Bank will assist the Client in identifying appropriate methods and tools to assess and manage the environmental and social risks and impacts of the project and developing the ESMP. For high-risk projects, the Client will share the Contractor's ESMP (C-ESMP) for clearance before commencement of works.

³⁴ This will include any mitigation and performance improvement measures and actions already developed; actions that may be completed prior to approval by the Bank's Board of Directors; actions required by national law and regulation that satisfy the

A performance indicator, human and financial resources for implementation and a completion date for each action will be specified in the ESMP.

41. Where a common approach³⁵ has been agreed, the ESMP will include all measures and actions that have been agreed by the Client to enable the project to meet the common approach.

42. The ESMP will include a process that allows for adaptive management of proposed project changes or unforeseen circumstances. The process will set out how such changes or circumstances will be managed and reported on, and any necessary changes will be made to the ESMP and relevant management tools.

43. The Client will implement diligently the measures and actions identified in the ESMP in accordance with the timeframes specified and will review the status of implementation of the ESMP as part of its monitoring and reporting³⁶. All Contractors, sub-contractors and primary suppliers should be required contractually to comply with the ESMP. Bidding documents and invitations to tender should provide information in this respect so that bidders will internalize the costs associated with the objective of meeting the requirements of the ESMP and the Supporting agreement.

44. The ESMP will describe the different management tools³⁷ that the Client will use to implement the agreed measures and actions. These management tools will include, as appropriate, operational manuals, management systems, procedures, practices and capital investments. All management tools will apply the mitigation hierarchy and incorporate measures so that the project will meet the requirements of applicable laws and regulations and the ESNs³⁸ in accordance with the ESMP throughout the project life cycle.

45. Recognizing the dynamic nature of the project development and implementation process, the management tools will take a long-term and phased approach and be designed to be responsive to changes in project circumstances, unforeseen events, regulatory changes and the results of monitoring and review.

46. The Client will notify the Bank promptly of any proposed changes to the scope, design, implementation or operation of the project that are likely to cause an adverse change in the environmental or social risks or impacts of the project. The Client will carry out, as appropriate, additional assessment and stakeholder engagement in accordance with the ESNs, and propose changes, for approval by the Bank, to the ESMP and relevant management tools, as appropriate, in accordance with the findings of such assessments and consultation. Any significant changes will be disclosed.

requirements of the ESNs; actions to address gaps in the Client's ES Framework; and any other actions that are considered necessary for the project to achieve compliance with the ESNs. The gaps will be assessed by reference to what would be required in the relevant ESN.

³⁵ See paragraphs 7 and 10.

³⁶ See Section E.

³⁷ The level of detail and complexity of the management tools will be proportionate to the project's risks and impacts, and the measures and actions identified to address such risks and impacts. They will take into account the experience and capacity of the parties involved with the project, including the implementing agencies, project-affected communities and other interested parties, and aim to support improved environmental and social performance.

³⁸ Including relevant GIIP.

E. Environmental and Social Monitoring

47. The Client will monitor the environmental and social performance of the operation in accordance with the Supporting agreement (including the ESMP and ESNs). The extent and mode of monitoring will be agreed upon with the Bank and will be proportionate to the nature of the operation, its environmental and social risks and impacts, and compliance requirements. The Client will ensure that adequate institutional arrangements, systems, resources and personnel are in place to carry out monitoring. Where appropriate and as set out in the ESMP, the Client will engage stakeholders and third parties, such as independent experts, local communities or NGOs, to complement or verify its own monitoring activities. Where other agencies or third parties are responsible for managing specific risks and impacts and implementing mitigation measures, the Client will collaborate with such agencies and third parties to establish and monitor such mitigation measures.

48. Monitoring will normally include the recording of information to track project performance and establishing relevant operational controls to verify and compare compliance and progress. Monitoring will be adjusted according to performance experience, as well as actions requested by relevant regulatory authorities and feedback from stakeholders such as community members. The Client will document monitoring results.

49. The Client will provide regular reports as set out in the ESMP to the Bank of the results of the monitoring (in any event, no less than quarterly, and for high-risk projects, monthly). Such reports will provide an accurate and objective record of operation implementation, including compliance with the ESMP. Such reports will include information on stakeholder engagement conducted during implementation in accordance with ESN10. The Client, and the agencies implementing the project will designate senior officials to be responsible for reviewing the reports before submission to the Bank.

50. Based on the results of the monitoring, the Client, in consultation with relevant stakeholders, will identify any necessary corrective and preventive actions, and will incorporate these in an updated ESMP or the relevant management tool, in a manner acceptable to the Bank. The Client will implement the agreed corrective and preventive actions in accordance with the updated ESMP or relevant management tool and monitor and report on these actions.

51. The Client will facilitate site visits by Bank staff or consultants acting on the Bank's behalf.

52. The Client will notify the Bank promptly of any incident or accident relating to the project that has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers. The notification will provide sufficient detail regarding such incident or accident, including any fatalities or serious injuries. The Client will take immediate measures to address the incident or accident and to prevent any recurrence, in accordance with national law and the ESNs.

F. Special Considerations

53. Knowledge Based Operations include advisory services and technical assistance (TA). TA undertakings will be assessed in accordance with ESN1. The Clients' due diligence and requirements will reflect the activities to be supported by the technical assistance and not the

potential future Client undertakings or investment operations that the Bank may support³⁹.

54. The terms of reference, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted so that the advice and other support provided is consistent with ESNs. Activities implemented by the Client following the completion of the project that are not financed by the Bank, or activities that are not directly related to the technical assistance, are not subject to the Bank's Environmental and Social Policy.

Supporting Projects in Fragile, Conflict and Post-Conflict States

55. The Bank provides support to Clients in many such countries which may experience a significant shortage of competent project workers, equipment, transport and financial resources that impose significant constraints and challenges for Clients in preparing, assessing, implementing and managing projects in compliance with the ESNs. In order to support much needed reconstruction and development in countries designated by the Bank or international agencies as being fragile, conflict and post-conflict states, the Bank will agree with Clients and relevant national authorities pragmatic approaches which allow for projects to meet or strive to address the Bank's environmental and social requirements in a manner and timeframe acceptable to the Bank. Such approaches will be approved by senior management and be documented in project proposals for Board consideration. The Bank and Client will document the rationale for such approaches and the ES implications of the project not meeting fully Bank ES requirements.

Public Projects Involving Multiple Subprojects

56. For public operations involving multiple subprojects⁴⁰, that are identified, prepared and implemented during the course of the operation, the Client will prepare an ESMP⁴¹, which will be disclosed within the timeframe stipulated in para 59 of the ESP and reflected in the Supporting Agreement; this ESMP will include the required due diligence and appropriate steps for each subproject's E&S risk management and stakeholder engagement before the commencement of the physical works. The Client will carry out appropriate environmental and social assessment of High Risk and Moderate Risk subprojects and prepare and implement such subprojects in accordance with the national laws and the ESNs.

57. If the environmental and social risk rating of a subproject increases to a higher risk rating,

³⁹ Where a TA supports studies that may ultimately lead to an investment project, such as pre-feasibility studies, feasibilities or other studies that support project preparation, the scope of the TA should include environmental and social considerations. These should allow for the framing of any subsequent investment project in a manner which is consistent with the ESNs. The nature and scope of future due diligence should be outlined, as well as the environmental and social standards that the future investment project would be required to meet should the Bank be requested to consider supporting such a project. Whilst TA projects will be categorized on the basis that their outcomes are studies; the Bank will note in its assessment of the TA if the future investment project may be likely to lead to significant adverse impacts notwithstanding the fact that preparatory TA studies are not the appropriate vehicle for assessment of such impacts in a manner consistent with the ESNs.

⁴⁰ Paragraphs 48 to 49 apply to a Bank-supported public operation or project with multiple subprojects, as in the case of community-driven development projects, projects involving matching grant schemes, or similar activities whose locations will not be known by the Bank's Board approval date.

⁴¹ The ESMP as defined in section D of this ESN, and which will include at minimum the findings of ESA documents for the earliest scheduled investment(s) that involve(s) physical works.

the Client will apply relevant requirements of the ESNs⁴² in a manner agreed with the Bank. The measures and actions agreed will be included in the appropriate action or management plan and will be monitored by the Bank.

Single project undertakings

General Requirements

58. Where Bank support⁴³ is sought for a Client's undertaking that involves a single project or defined use of proceeds (including restructuring, or retroactive support), the Client will carry out environmental and social studies on the undertaking in accordance with ESN1 and its Annexes.

59. If the undertaking involves new activities (such as construction of a dam or processing facility) the studies will assess the existing baseline conditions and potential risks and impacts as well as potential (future) risks and impacts in an environmental and social impact assessment as described in ESN1. The assessment will address all the requirements of ESNs 1 to 10.

60. If Bank support is sought for a Client undertaking which involves existing facilities or business activities and/or associated facilities, the assessment will consider the environmental and social risks and impacts associated with such facilities and activities. This may take the form of an environmental and social audit.

Specific Requirements

61. For **corporate support**, which is fungible in nature (such as working capital, balance sheeting support and some types of equity investment) the Client will provide (i) an assessment of the risks and impacts typical of the particular sector and the context of the business activity and (ii) a plan on the way in which the Client will build the capacity and commitment to meet obligations and requirements of the ESNs, including applying the ESNs to its future activities related to specific physical assets.

62. Where Bank support is sought for general **corporate finance for a multi-site company** and where the use of proceeds is not directed at specific physical assets, the Client will be required to align its corporate environmental and social systems with the ESNs and develop measures at the corporate level (such as an ESMS if one is lacking) to manage the environmental and social risks and impacts of the business activity in a manner consistent with the ESNs.

63. A Client seeking support for retroactive support or restructuring will need to provide information on and/or an assessment of (i) its ESMS and associated capacity; (iii) the environmental and social risks, impacts and liabilities associated with the project and new elements associated with the operation; (iv) its regulatory compliance status; (vi) the progress made in addressing the requirements of project approval and permitting agencies or other investors; (vii) a gap analysis of the project's environmental and social performance against ESNs1 to 10; and (viii) an ESMP to bring the project into compliance with Bank's requirements to the extent possible.

⁴² The 'relevant requirements of the ESNs' will relate to the reasons for which the risk rating has increased.

⁴³ The Bank may support specific projects by eligible private or public sector enterprises with senior or subordinated debt, lines of credit, agency lines, partial credit guarantees, partial risk guarantees, trade finance instruments, equity participation and quasi-equity (such as subordinated, mezzanine and convertible debt) instruments.

Undertakings involving Multiple Projects, Sub-projects or Programmatic Undertakings

General Requirements

64. For undertakings that involve initiatives aimed at achieving specific well-defined objectives, based on the execution of a set of activities, the Client will:

- Develop and implement an Environmental and Social Management System (ESMS) that, in form and substance is satisfactory to the Bank.
- Ensure that all undertaking's activities, sub-projects and other initiatives, co-supported by the Bank, comply with the Environmental & Social Exclusion List.
- As part of the ESMS, conduct Environmental and Social Due Diligence (ESDD) on projects, sub-projects and other activities that the Client considers supporting or investing in.
- Require for sub-projects, investee companies and other activities, co-supported by the Bank, compliance with local and national requirements and with the relevant requirements of ESNs 1 to 10 as determined during environmental and social due diligence or specified by the Bank.
- Monitor and manage environmental and social risks and impacts associated with the loans, investments and other activities supported by the Client.
- Provide to the Bank an Annual Environmental and Social Report (AESR) that covers the activities of the undertaking. The report will be in form and substance satisfactory to the Bank⁴⁴.
- Report to the Bank promptly⁴⁵ any Materially Significant Adverse Events that arise (such as accidents, emergencies, spills, legal action, civil unrest, human rights abuses and/or reprisals) in relation to any projects, sub-projects, investments of other activities supported by the Bank.

Specific Requirements

65. **Capital market transactions** such as support to bond markets, privatization or mass privatization are often characterized by a paucity of information prior to process completion due to capital market rules and regulations. The Client will assess potential risks and impacts of the transaction on the basis of publicly available information and knowledge of the inherent environmental and social risks, impacts and liabilities of the business activity or economic sector concerned and the capacity of regulatory agencies to carry out their responsibilities. Once the transaction has been concluded, the Client will conduct studies (such as assessment, audits or risk assessments) to characterize environmental and social risk, impacts and liabilities and prepare an action plan to address them in accordance with relevant parts of the ESNs.

66. **Trade finance operations** provide following instruments: (i) Risk Participation Agreements, (ii) Trade Finance Lines of Credit, (iii) the Soft Commodity Finance Facility, and (iv) Trade Finance Guarantees. The Client/Participating Bank(s) (PB) are required to:

- Develop and implement an ESMS satisfactory to the Bank.
- Screen all transactions to be funded (directly or indirectly, in all or in part) or

⁴⁴ With no prejudice to the quarterly and monthly environmental and social reports.

⁴⁵ To be specified in the Supporting agreements between the Bank and the Client but no more than three calendar days.

participated or guaranteed by the Bank against the Environmental and Social Exclusion List.

- Risk rate the transactions based upon an assessment of environmental and social risks and impacts, transaction amount and duration/tenor:
 - for short term (<2 year) and low risk transactions, compliance with national requirements and against Environmental and Social Exclusion List.
 - for medium and high risk and terms over 2 years, compliance with relevant aspects of the ESNs in addition to national requirements and against Environmental and Social Exclusion List.
 - Client will not rollover a short-term transaction so that in effect they become term support.
- Report to the Bank promptly⁴⁶ any Materially Significant Adverse Events that arise (such as accidents, emergencies, spills, legal action, civil unrest, human rights abuses) in relation to any projects, sub- projects, investments of other activities supported by the Bank.
- Provide to the Bank an Annual Environmental and Social Report (AESR) that covers the activities of the undertaking. The report will be in form and substance satisfactory to the Bank⁴⁷.

67. **Insurance Companies and their products** vary significantly in terms of the environmental and social risks and opportunities associated with them. Life insurance products are exempted from environmental or social requirements. In all other respects, Clients in the insurance sector must meet the following requirements:

- Develop and implement an ESMS satisfactory to the Bank.
- Screen all transactions to be funded (directly or indirectly, in all or in part) or participated or guaranteed by the Bank against the Environmental and Social Exclusion List.
- Risk rate proposed cover based upon the environmental and social risk associated with (i) the applicant's business activities and (ii) the type of insurance product.
- Carry out environmental and social due diligence on proposed insurance cover in accordance with the requirements of this ESN⁴⁸, and make decisions on an offer of cover incorporating appropriate risk management (limitations and exclusions for example).
- Report to the Bank promptly⁴⁹ any Materially Significant Adverse Events that arise (such as accidents, emergencies, spills, legal action, civil unrest, human rights abuses and/or reprisals) in relation to any projects, sub-projects, investments of other activities supported by the Bank.
- Provide to the Bank an Annual Environmental and Social Report (AESR) that covers the activities of the undertaking. The report will be in form and substance satisfactory to the Bank⁵⁰.

⁴⁶ To be specified in the Supporting agreements between the Bank and the Client but no less than five calendar days.

⁴⁷ There may be other environmental and social reporting requirements.

⁴⁸ For high-risk activities this may involve environmental and social assessment, auditing and hazard risk assessment.

⁴⁹ To be specified in the Supporting agreements between the Bank and the Client but no less than five calendar days.

⁵⁰ There may be other environmental and social reporting requirements.

Passive Equity Investment Entities

68. Passive investment funds are those where (i) the investor takes a small stake in an investee (<5%) company and (ii) the investor is unlikely to have influence over the investee company; (iii) the amount of environmental and social information available to the investor is typically limited to publicly available information and (iv) the fund plays no executive or active role in the management of the investee company at any level. Examples of passive investment funds include pension funds, mutual funds and funds investing in listed securities. For such funds the Fund Manager will:

- Establish investment exclusion criteria based at a minimum on the Bank Group's Negative List.
- Conduct an internet and media search to determine if there are any material environmental or social issues associated with the investment.
- Where issues have identified engage in focused due diligence on the issues concerned.
- Decide whether to invest.
- Monitor investee companies by internet and other media and divest should significant adverse impacts arise of a financial or reputational risk perspective.
- The Fund is required to report annually to the Bank on its portfolio and the environmental and social performance of its investee companies.

Commodity Exchange Entities

69. Environmental and social risks and impacts associated with commodity exchange and clearing house entities depend upon (i) the nature of commodities being traded and (ii) the role of the entity itself in commodity trading. Most current commodity exchanges in Africa deal in agricultural products (coffee, cocoa, palm oil etc.) with a few facilitating the trade in metals, oil, gas, minerals, and foreign exchange. There are environmental and social risks associated with the production, processing, transport and trading of most of these commodities. Many of these commodity supply chains can also have significant reputational risk associated with them.

70. Commodity Exchanges will establish effective internal governance and operational processes and policies to incorporate sustainability issues within the exchange (building) and its operational activities such as those within the World Federation of Exchanges Five Sustainability Principles.

- Promote the adoption of Good Environmental and Social Governance by commodities companies trading at the Centre⁵¹.
- Prepare an Annual Sustainability Report satisfactory to the Bank.

⁵¹ For example, the IFC Good Practice Handbook on Assessing and Managing Environmental and Social Risks in an Agro-Commodity Supply Chain.

Capital Markets and Capital Market Support Institutions

71. Capital markets deal in a range of tradable assets such as bonds, derivatives⁵², commodities and stocks through entities such as stock markets (which trade in shares of corporations) and other trading forums. Some capital markets are open to all investors (such as retail investing at stock exchanges and mutual funds) whilst others are only for large institutional investors (termed primary markets) such as pension funds, hedge funds, mutual funds and insurance companies; for example, for the purchase of shares direct from companies who have a public offering.

72. Where an undertaking is for the establishment of a mutual fund, the investment objectives should include environmental and social considerations such as:

- Investment exclusion criteria based at a minimum on the Bank's environmental and social exclusion list as complementary to the Bank's more generic Negative List.
- The inclusion of positive investment criteria should also be considered to foster ethical investing, impact investing, Socially Responsible Investment or Green Growth.
- Divestment criteria should be agreed and incorporated in the Fund and Fund Manager Supporting agreements if an investee's environmental and social performance becomes unacceptable.
- The Fund will establish effective internal governance and operational processes and policies to incorporate sustainability issues within its building and operational activities.
- Prepare an Annual Sustainability Report on the sustainability performance of the Fund satisfactory to the Bank.

73. Where trading transactions take place electronically, based upon publicly available (and usually limited) information through computer systems at high speed, environmental and social risks and impacts associated with the transactions themselves are not amenable to environmental and social risk assessment and management. Environmental and social performance issues in such undertakings are therefore, limited to internal performance issues such as energy efficiency, building design, housekeeping, occupational health and safety and labour standards. Therefore:

- Exchanges will establish effective internal governance and operational processes and policies to incorporate sustainability issues within the exchange (building) and its operational activities such as those within the World Federation of Exchanges Five Sustainability Principles.
- An Annual Sustainability Report on the sustainability performance of the capital market institution satisfactory to the Bank, will be prepared.

⁵² Derivatives trading involves options, forwards, futures, swaps, other debt instruments.

ESN1 ANNEX 1: ENVIRONMENTAL AND SOCIAL ASSESSMENT

74. The Client will undertake an environmental and social assessment to assess the environmental and social risks and impacts of a project throughout the project life cycle. The term ‘environmental and social assessment’ is a generic term that describes the process of analysis and planning used by the Client to ensure the environmental and social risks and negative impacts of a project, activities or other initiatives are identified, avoided, minimized, reduced, mitigated or compensated, and the positive impacts enhanced.

75. The environmental and social assessment is the primary means of ensuring projects are environmentally and socially sound and sustainable and will be used to inform decision making. The environmental and social assessment is a flexible process, that can use different tools and methods depending on the details of the project and the circumstances of the Client (see paragraph 5 below).

76. The environmental and social assessment will be conducted in accordance with ESN1, and will consider, in an integrated way, all relevant direct, indirect and cumulative environmental and social risks and impacts of the project, activities and other initiatives including those specifically identified in ESNs.

77. The breadth, depth, and type of analysis undertaken as part of the environmental and social assessment will depend on the nature and scale of the project, and the potential environmental and social risks and impacts that could result. The Client will undertake the environmental and social assessment at the scale and level of detail appropriate to the potential risks and impacts⁵³.

78. The way the environmental and social assessment will be conducted and the issues to be addressed will vary for each project, set of activities or other initiatives. The Client will consult with the Bank to determine the process to be used, taking into account a number of activities, including scoping, stakeholder engagement, potential environmental and social issues and any specific issues raised between the Bank and Client. The environmental and social assessment will include and take into account coordination and consultation with affected people and other interested parties, throughout all stages of the project cycle, particularly at an early stage, to ensure that all potentially significant environmental and social risks and impacts are identified and addressed.

79. The different methods and tools used by the Client to carry out the environmental and social assessment and to document the results of such assessment, including the mitigation and maximization measures to be implemented, will reflect the nature and scale of the project⁵⁴. As specified in ESN1⁵⁵, these will include, as appropriate, one or a combination of the instruments set out below.

Environmental and Social Impact Assessment (ESIA)

- Environmental and social impact assessment (ESIA) is an instrument to identify and assess the environmental and social risks and impacts of a proposed project, set of activities or other initiatives, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.

Indicative Content of an ESIA

(A) Executive summary

- Concisely discusses the purpose and need of the proposed action, significant findings and recommended actions, including the stakeholder engagement, the cost of the measures and the

⁵³ See ESN1 Section C.

⁵⁴ These will also reflect national regulatory requirements, which may be relied on by the Client to the extent they meet the requirements of the ESNs.

⁵⁵ See ESN1, paragraph 24

institutional arrangements for implementation.

(B) Legal and institutional framework

- Analyzes the legal and institutional framework for the project, within which the environmental and social assessment is carried out, including:
 - Host country applicable policy framework, national and local laws and regulations, and institutional capabilities related to them (including implementation) relating to environment and social issues.
 - National environmental or social action plans or strategies; and obligations of the country directly applicable to the project under relevant international and regional treaties and agreements.
 - Applicable requirements under the ESNs and the IsDB Guidance Notes.
 - Identification of differences between the Client's existing environmental and social framework and requirements relating to the project that may affect how the project is carried out in a manner consistent with the ESNs.
 - Description of how any deficiencies in the host framework can be addressed through administrative, legislative or regulatory change and institutional strengthening and capacity building.

(C) Analysis of alternatives

- Evaluate a reasonable range of feasible project alternatives to meet the project's purpose and need (for example, location, technology options, or timing among others) and their environmental and social implications, including a no project alternative. During the project scoping process, clients will consult stakeholders and the public and allow for their participation in the identification of feasible project alternatives through public consultation meetings and through the opportunity to comment.
- Assesses the alternatives' feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of alternative mitigation measures, and their suitability under local conditions; the institutional, training, and monitoring requirements for the alternative mitigation measures.
- For each of the alternatives, quantifies the environmental and social impacts to the extent possible, and attaches economic values where feasible.

(D) Design measures

- Presents the basis for selecting the project design proposed, including applying the mitigation hierarchy.

(E) Project description

- Concisely describes the proposed project and its geographic, environmental, social, and temporal context, including associated facilities, third parties and any offsite investments that may be required (e.g. dedicated pipelines, access roads, power supply, water supply, housing, and raw material and product storage facilities), as well as the project's primary suppliers.
- Includes a map of sufficient detail, showing the project site and the area that may be affected by the projects direct, indirect, and cumulative impacts.

(F) Baseline data⁵⁶

- Sets out in detail the baseline data that is relevant to decisions about project location, design, operation, or mitigation measures. This should include a discussion of the accuracy, reliability, and sources of the data as well as information about dates surrounding project identification, planning and implementation.
- Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions. Assess the significance of data gaps on the characterization of anticipated E&S risks and impacts.
- Describes relevant physical, biological, health, safety, security, social (including gender), cultural and socioeconomic issues and conditions and receptors of impact; including any changes in them anticipated before the project commences.
- Describes how climate change is affecting or likely to be affecting the project area and how this may influence the nature of project risks and impacts. Describes how the project may be affecting or contributing to climate change and its associated risks and impacts.
- Identifies and characterizes individuals and groups that are, due to circumstances, vulnerable, discriminated against, under-served or excluded in relation to mainstream society. Disaggregated data⁵⁷ on all such social groups should be provided to the extent that personal and group safety and data confidentiality and privacy is not compromised.
- Describes contextual risks (such as the political economy) that may affect the ability of the project to be carried out in a manner consistent with the ESNs and other requirements such as international human rights obligations.
- Be informed by current and proposed development activities within the project area but not directly connected to the project but that may have a cumulative effect on project impact.

(G) Environmental and social risks and impacts

- Considers all relevant environmental and social risks and impacts of the project, including cumulative impacts. This will include the environmental and social risks and impacts specifically identified in the ESNs, and any other environmental and social risks and impacts arising as a consequence of the specific nature and context of the project, including the risks and impacts identified in ESN1.
- To the extent demonstrable, residual impacts should be characterized in terms of their magnitude, extent, duration, reversibility and significance.

(H) Mitigation measures

- Identifies avoidance, minimization and mitigation measures and significant residual impacts that cannot be mitigated and, to the extent possible, assesses the acceptability of those residual impacts.
- Identifies measures to enhance positive impacts and opportunities.
- Identifies differentiated measures so that adverse impacts do not fall disproportionately on the vulnerable.

⁵⁶ Data collected in the context of E&S assessment and project implementation shall not be used with the intention to cause undue harm or any sort of discrimination against people and especially the vulnerable. Further, Data collection and use must be in compliance with existing legislations and ethical practices, including respect of data privacy. Data will be disaggregated, as much as possible, based on gender, vulnerability, etc.

⁵⁷ Data will be disaggregated, as much as reasonably practicable, based on gender, vulnerability, etc.

- Assesses the feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of proposed mitigation measures, and their suitability under local conditions; the institutional, training, and monitoring requirements for the proposed mitigation measures.
- Specifies issues that do not require further attention, providing the basis for this determination.

(I) *Environmental and Social Management Plan (ESMP)*

80. The ESMP details: (a) the measures to be taken during the implementation of a project to enhance the positive impacts and to eliminate or offset environmental and social risks and adverse impacts, or to reduce them to acceptable levels; and (b) the costs, processes and implementation arrangements needed to implement these measures. The indicative content of an ESMP will include the following:

- Mitigation, compensation and enhancement. The ESMP identifies measures and actions, in accordance with the mitigation hierarchy, that avoid or reduce risks and adverse environmental and social impacts to acceptable levels, and those that enhance positive impacts. The plan will include compensatory measures, if applicable. Specifically, the ESMP:
 - Summarizes all risks and adverse environmental and social impacts (including those stemming from associated facilities, cumulative impacts and those impacts involving highly vulnerable rural minorities or involuntary resettlement);
 - Describes, with technical details, each mitigation measure, including the type of impact to which it relates and the conditions under which it is required (e.g., continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate.
 - Estimates any environmental and social impacts of these measures.
 - Takes into account, and is consistent with, other mitigation plans required for the project (e.g., for involuntary resettlement, highly vulnerable rural minorities, or cultural heritage); and
 - Describes, with technical details, each maximization measure.

Monitoring and reporting

81. The ESMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the risks and impacts assessed in the environmental and social assessment and the measures described in the ESMP⁵⁸. Specifically, the monitoring section of the ESMP provides (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

⁵⁸ Monitoring during an operation/project's implementation provides information about its key environmental and social aspects, particularly the environmental and social impacts of the project, activities and other initiatives and the effectiveness of mitigation measures. Such information enables the Client and the Bank to evaluate the success of mitigation as part of operation implementation support and allows corrective action to be taken when needed.

Capacity development and training

- To support timely and effective implementation of environmental and social components and mitigation measures, the ESMP draws on the assessment of the existence, role, and capability of responsible parties on site or at the agency and ministry level. As relevant, it may also consider responsible third parties and stakeholders who may play a role in project implementation and monitoring.
- Specifically, the ESMP provides a specific description of institutional arrangements, identifying which party is responsible for carrying out the mitigation and monitoring measures (e.g. for operation, implementation support, enforcement, monitoring of implementation, remedial action, reporting, and staff training).
- To strengthen the environmental and social management capacity of the agencies responsible for implementation, the ESMP identifies the responsible entities and recommends strengthening their respective processes and/or competency building for their staff and, any other measure that may be necessary to support the implementation of the ESMP.

Implementation schedule and cost estimates

82. For all three aspects (mitigation-compensation-maximization, monitoring, and capacity development), the ESMP provides (a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and (b) the capital and recurrent cost estimates and sources of funds. These figures are part of the total project cost.

Integration of ESMP with project

83. The Client's decision to proceed with a project, and the Bank's decision to support it, are predicated in part on the expectation that the ESMP will be executed effectively. Consequently, each of the measures and actions to be implemented will be clearly specified, including the individual mitigation and monitoring measures and actions and the institutional responsibilities relating to each, and the costs of so doing will all be integrated into the project's overall planning, design, budget, and implementation.

(J) Appendices

- List of the individuals or organizations that prepared or contributed to the environmental and social assessment.
- References—setting out the written materials both published and unpublished, which have been used.
- Record of meetings, consultations and surveys with stakeholders, including those with affected people and other interested parties. The record specifies the means of such stakeholder engagement that were used to obtain the views of affected people and other interested parties.
- Tables presenting the relevant data referred to or summarized in the main text.
- List of associated reports or plans.

Environmental and Social Audit

84. An Environmental and Social Audit is an instrument to determine the nature and extent of all the environmental and social aspects of concern of a project or a set of activities under implementation. It identifies and justifies compliance and non-compliance with applicable regulations (ESMP, ESMS, national regulations and norms and standards, etc.), assesses the risks (environmental and social, reputational, economic and financial) associated with such non-compliance, proposes corrective measures⁵⁹, estimates the cost, and recommends a timetable for their implementation. For some projects, the environmental and social assessment may consist of a simple environmental and social audit; in other cases, the audit is only part of an environmental and social assessment.

Indicative Outline of Environmental and Social Audit

85. The aim of an audit is to identify significant environmental and social risks, impacts and issues in the existing project or activities, and assess their performance, specifically in terms of meeting the requirements of the ESNs.

(A) Executive Summary

- Concisely discusses significant findings and set out recommended measures and actions and timeframes.

(B) Legal and Institutional framework

- Analyzes the legal and institutional framework for the existing project or activities, including the issues set out in ESN1, and (where relevant) any applicable environmental and social requirements of existing financiers.

(C) Project Description

- Concisely describes the existing project, activities, and the geographic, environmental, social, and temporal context and any Associated Facilities.
- Identifies the existence of any plans already developed to address specific environmental and social risks and impacts (e.g., land acquisition or resettlement plan, cultural heritage plan, biodiversity plan).
- Includes a map of sufficient detail, showing the site of the existing project or activities and the proposed site for the proposed project.

(D) Environmental and Social issues associated with the existing project or activities

- The review will consider the key risks and impacts relating to the existing project and activities. This will cover non-performances, the risks and impacts identified in the ESNs, as

⁵⁹ Technically, financially, and economically viable.

relevant to the existing project and activities. The audit will also review issues not covered by the ESNs, to the extent that they represent key risks and impacts in the circumstances of the operation. The audit will assess the root-causes of non-compliance/non-performance, including the Client's capacity to manage E&S aspects.

(E) Environmental and social risk analysis

(F) Proposed environmental and social measures

86. Based on the findings of the audit, this section will set out the suggested measures to address such findings. These measures will be included in the Environmental and Social Management Plan (ESMP) for the project. Measures typically covered under this section include the following:

- Specific actions required to meet the requirements of the ESNs and the national legislations.
- Corrective measures and actions to mitigate potentially significant environmental and/or social risks and impacts associated with the existing project or activities.
- Measures to avoid or mitigate any potential adverse environmental and social risks or impacts associated with the project.

Hazard and/or Risk Assessment

87. Hazard and/or Risk Assessment is an instrument for identifying, analyzing, and controlling hazards associated with the presence of dangerous materials and conditions at a project site. The Bank requires a hazard or risk assessment for projects involving certain inflammable, explosive, reactive, and toxic materials when they are present in quantities above a specified threshold level. For certain projects, the environmental and social assessment may consist of the hazard or risk assessment alone. In other cases, the hazard or risk assessment forms part of the environmental and social assessment.

Cumulative Impact Assessment

88. Cumulative Impact Assessment is an instrument to consider cumulative impacts of the project, in combination with impacts from other relevant past, present and reasonably foreseeable developments, as well as unplanned but predictable activities enabled by the project that may occur later or at a different location. This assessment is an **integral** part of the overall environmental and social assessment; in certain specific cases, it may be the subject of a separate document.

Social and Conflict Analysis

89. Social and Conflict Analysis is an instrument that assesses the degree to which the project may (a) exacerbate existing tensions and inequality within society (both within the communities affected by the project and between these communities and others); (b) have a negative effect on stability and

human security; (c) be negatively affected by existing tensions, conflict and instability, particularly in circumstances of war, insurrection and civil unrest.

Contextual Risk Assessment

90. Contextual Risk Assessments are used to understand the broader political economy and dynamics of human interaction within the project area of influence. It gathers information on social, cultural, political and economic factors which may have a bearing on social conflict, inclusion, discrimination, intimidation, violence including Sexual Exploitation, Abuse and Harassment, Gender-based Violence, limitations to meaningful consultation and free speech, including the risks of reprisals to stakeholders, limitations on access to the environment, resources, services and development opportunities, formal and informal power and influence structures, corruption and the rule of law. It provides insight into the potential for such negative forces to distort stakeholder engagement; to exacerbate social inequality; and to compromise the potential for project benefits to be received by project affected people in an equitable manner. Contextual risk assessment begins with the collection of publicly available information to scope potential issues of concern.

Strategic Environmental and Social Assessment (SESA)

91. Strategic Environmental and Social Assessment is a systematic examination of environmental and social risks and issues, associated with a policy, plan or program, typically at the national level but also in smaller areas. The examination of environmental and social risks will include consideration of the full range of environmental and social risks incorporated in the ESNs. A strategic ESA can be either regional or sectoral as follows:

- **Regional SESA:** Regional SESA examines environmental and social stakes, risks and issues, associated with a particular strategy, policy, plan, or program, or with a series of projects, activities or initiatives for the development/planning of a particular region (e.g., a territorial jurisdiction, a metropolitan urban area, a watershed or river basin, a coastal zone, etc.); evaluates and compares the stakes, risks and potential impacts against those of alternative development options; assesses legal and institutional aspects relevant to the stakes, risks and issues; and then recommends broad measures to strengthen environmental and social management in the region. Regional SESA pays particular attention to potential cumulative risks and impacts of multiple activities in a region but does not include the site-specific analyses of a specific project, in which case the Client must develop supplemental information.
- **Sectoral SESA:** Sectoral SESA examines environmental and social risks and potential impacts, and issues, associated with a development/planning of a particular sector (e.g. agriculture, energy, transports, mining, water resources management, forestry and protected areas, etc.) in a region or across the country; evaluates and compares the stakes, risks and potential effects/impacts against those of alternative development options; assesses legal and institutional aspects relevant to the stakes, risks and issues; conducts stakeholder consultation and comment on the proposal, and then recommends broad measures to strengthen environmental and social management in the sector. Sectoral SESA also pays particular attention to potential cumulative risks and effects/impacts of multiple activities in the

sector but does not include the analyses of a specific project.

92. SESAs are therefore not mandatory documents for Board consideration of the project. When needed, they are finalized during project implementation and in conjunction with project and site - specific studies that assess the risks and impacts of a project.

Institutional Capacity

93. Strategic environmental and social assessment can provide opportunities for coordinating environmental and social-related responsibilities and actions in the host country in a way that goes beyond project boundaries/responsibilities and, where feasible, should be linked to other environmental and social strategies and action plans, and free-standing projects. The environmental and social assessment for a specific project can thereby help strengthen environmental and social management capability in the host country.

94. The Client may include components in the operation to strengthen its legal or technical capacity to carry out key environmental and social assessment functions. If the Bank concludes that the Client has inadequate legal or technical capacity to carry out such functions, the Bank may require strengthening programs to be included as part of the project. If the operation includes one or more elements of capacity strengthening, these elements will be subject to periodic monitoring and evaluation as required by ESN1.

Indicative Content for a Review of a National Environmental and Social Framework

95. The following structure is indicative only. It should be tailored at the outset to the context of the operation or project in question.

(A) Policies, legislations and regulations

- National Commitments
 - o Policies and documents that set goals, direction for development and provide strategic direction relevant to the project and for environmental and social safeguards.
- International commitments
 - o Treaties, conventions, etc.
 - o Laws and other legal instruments
 - o Laws and other legal instruments that can be enforced through the courts (e.g., for ESIA/SESA, compensation following involuntary land acquisition/resettlement).
 - o Regulations - that put legal provisions into effect (usually gazetted). [Outline explanation of formal provisions/requirements regarding ESNs. E.g., for ESIA: projects types/initiatives requiring ESIA, process and steps, requirements for EMSPs and monitoring, examination of alternatives, cumulative effects, requirements for public participation/consultation, communication on assessment results/reports.]

- Adopted Standards and Guidelines – for specific tools and practices.
- Rules or local regulations used to interpret national commitments in the local context

(B) Capacity – institutional arrangements

- Institutions responsible for Managing Environmental and Social Risks
- Responsibilities, roles, functions
- Capacities and skills
- Performance
- Coordination mechanisms
- Coordination between institutions/ministries/departments/agencies
- Cross sector coordination
- Roles of Research and academic institutions, and professional bodies
- Focus, skill-base, key products, potential contribution to project
- Non-governmental and civil society organizations (working on issues relevant to the project)
- Focus, skill-base, potential contribution to project

(C) Capacity – Management systems

- Planning & other relevant procedures or procedural manuals (e.g. national, sector, land use, etc.; roles and responsibilities)
- Environmental and social issues
- Screening, scoping, and preparing Environmental and Social Assessments
- Addressing sensitive issues (e.g. rights and interests of indigenous peoples, existence of child labour or GBV or SEAH or modern slavery or gender exclusion/inclusion, or any other social anomaly and inequity, needs/concerns of vulnerable groups, disputes and conflicts)
- Gender equality and Sexual and Gender based Violence
- Reviewing and clearance procedures
- o Consents and licenses
- Inspections, monitoring, auditing and evaluation
- Data management (records of decisions, progress and review reports, etc.)
- Training & awareness raising
- Stakeholder engagement, participation or consultation, including grievance mechanisms
- Internal and external communication and information disclosure requirements
- Engineering controls, including Design Change Management Processes
- Health and safety procedures and checks
- Environmental control processes (e.g. pollution, conservation activities, pest management, hazardous/toxic chemicals)
- Risk planning and emergency response management
- Land acquisition, resettlement planning and compensation management procedures

- Oversight and accountability mechanisms (transparency arrangements, independent reviews).

ESN1 ANNEX 2: MANAGEMENT OF CONTRACTORS

96. The Client will require that all contractors engaged on the project, set of activities or other initiatives operate in a manner consistent with the requirements of the ESNs, including the specific requirements set out in the ESMP. The Client will manage all contractors in an effective manner, including:

- (a) Assessing the environmental and social risks and impacts associated with such contracts.
- (b) Ascertaining that contractors engaged in connection with the project are legitimate and reliable enterprises and have the knowledge and skills to perform their project tasks in accordance with their contractual commitments, including providing relevant training for all staff.
- (c) Incorporating all relevant aspects of the ESMP into tender documents.
- (d) Contractually requiring contractors to apply the relevant aspects of the ESMP and the relevant management tools and including appropriate and effective non-compliance remedies.
- (e) Monitoring contractor compliance with their contractual commitments.
- (f) In the case of subcontracting, requiring contractors to have equivalent arrangements with their subcontractors; and
- (g) Ensuring protection of workers as set out in ESN2 and including against SEAH, GBV, forced labour and modern slavery.

ESN1 ANNEX 3: ENVIRONMENTAL AND SOCIAL EXCLUSION LIST

A: Activities not aligned with IsDB's rules and regulations

The Bank explicitly refrains from financing activities that are prohibited based on the principles of Islamic Shariah. These prohibitions include:

1. Production of, or trade in, alcoholic beverages.
2. Production of, or trade in, tobacco.
3. Gambling establishments, casinos or equivalent enterprises.
4. Production of, or trade in, weapons and/or munitions, including paramilitary materials.
5. Production or activity involving forced labour⁶⁰ or harmful or exploitative forms of child labour⁶¹.

B: Illegal activities

The Bank categorically excludes from financing activities that violate the laws of the country hosting the Project, as well as activities that contravene any international conventions and agreements ratified by the host country. This exclusion encompasses:

1. Commercial logging operations or purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
2. Production or trade in wood and/or forestry products derived from sources other than sustainably managed forests. Marine and coastal fishing practices include large-scale pelagic drift net fishing and fine mesh net fishing⁶².
3. Production, possession or trade in wildlife species regulated under the CITES⁶³.
4. Operations resulting in the violation of International Conventions relating to the protection of biodiversity resources and/ or cultural resources (Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity)
5. Transboundary movements of waste prohibited under international law (Basel Convention).
6. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU).
7. Production of, or trade in, unbonded asbestos fibres.
8. Production of, or trade in, products containing polychlorinated biphenyl (PCBs).
9. Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention).
10. Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)⁶⁴.

⁶⁰ "Forced labor" refers to any work or service performed involuntarily and exacted from an individual by threat of force or punishment as defined in the conventions of the International Labor Organization (ILO).

⁶¹ Employees must be at least 14 years of age as defined in the ILO's Declaration on the Fundamental Principles and Rights at Work (C138 – Minimum Age Convention, Article 2), unless local laws require compulsory schooling or a minimum age for admission to employment or work. In such circumstances, the highest age requirement must be used.

⁶² These practices are harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

⁶³ CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington, 1973).

⁶⁴ Any chemical component which reacts with, and destroys, the stratospheric ozone layer leading to the formation of "holes" in this layer. The Montreal Protocol lists ozone depleting substances (ODS), their reduction targets and the deadlines for phasing them out.