

CARIBBEAN NET-ZERO AND RESILIENT PRIVATE SECTOR

ANNEX 6:

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM ¹

March 14, 2024

¹ This document is disclosed by IDB Invest pursuant to GCF requirements for GCF's review and assessment of Funding Proposals, in accordance with applicable GCF policies and procedures.

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OVERVIEW

CLIMATE RISKS IN THE CARIBBEAN

Caribbean Small Island Development States (SIDS) are particularly susceptible to the impacts of climate change.² As developing economies relying on sectors vulnerable to climate patterns such as tourism, agriculture and fishing, Caribbean nations would be greatly affected by the ongoing rise in sea levels, changes in rain patterns and temperatures, impacts on the natural habitat (i.e., bleaching of coral reefs), and increasing intensity of natural disasters. Average temperatures in the region have increased by 0.1° to 0.2°C per decade over the past three decades, and rainfall patterns have shifted, with the number of consecutive dry days expected to increase. Additionally, sea level rise has occurred at a rate of about two to four cm per decade over the past 33 years, a trend which presents risks to the region's freshwater resources and to its largely coastal population dependent on tourism and agriculture.

Furthermore, Small Island Developing States (SIDS) in the Caribbean are presently heavily reliant on costly fossil fuel energy imports. This not only diminishes the competitiveness of their economies but also results in high greenhouse gas emissions on a per capita basis. Consequently, reducing the dependence on these expensive fossil fuel imports through the development of renewable electricity generation projects and the advancement of energy efficiency initiatives could contribute to boosting economic growth and bolstering the fiscal capacity of Caribbean SIDS governments.

These countries have committed to mitigation and adaptation actions, with estimated costs surpassing USD 55 trillion. However, existing financial commitments only slightly exceed USD 4 trillion, resulting in a significant 90% financing gap, notably 16% higher for adaptation. The private sector mobilizes USD 210 trillion, but a small fraction is for climate actions.

The debt accumulation by SIDS in the Caribbean is driven by recurring disaster-induced damages, including from climate change, with estimated annual losses of US\$3 billion, hampering social and productive sectors. The intersection of fiscal constraints and climate impacts makes relying solely on domestic funds for adaptation and mitigation challenging. Thus, achieving net-zero and bolstering

² See Section B.1. of the Funding Proposal and for a detailed description of the regional climate context and Section 2 of the Feasibility Study (Annex 2 of the FP) for the climate context and GHG emission profiles per country.

climate resilience hinges on involving the private sector. However, the region's debt, project scale, and vulnerability deter private investments.

Private sector companies in the Caribbean face several structural challenges, such as limited economies of scale, small domestic markets, and limited access to finance. Structural challenges that prevent the private sectors from advancing towards more resilient and sustainable business production models include:

- Macroeconomic constraints, including high levels of public debt and limited economies of scale for private sector actors;
- Limited access to financing;
- Limited and costly access to technology;
- Social inequalities for vulnerable populations, including gender-based inequality;
- Externalities and associated market failures;
- Lack of knowledge on the required improvements in the regulatory frameworks to support adaptation and mitigation technology deployment;
- Limited capacities of the financial sector and corporations to assess climate risks and advance sustainability operations; and
- Limited sector-wide knowledge on adequate business models and bankable adaptation and mitigation solutions.

PROGRAM DESCRIPTION

The Program seeks to catalyze funding in support of net-zero climate-resilient private sector investments in targeted sectors in SIDS which are IDB Invest borrowing member countries (the “SIDS Host Countries”), namely: Suriname, Guyana, Jamaica, Haiti, Trinidad and Tobago, Bahamas, Barbados, Belize, and the Dominican Republic.

A proposed GCF financing of US\$ 110 million will help mobilize US\$ 402.5 million from the Inter-American Development Bank Group (IADBG) and other private sector financing, totaling US\$ 512.5 million. The Program will provide the private sector with advisory services and fit-for-purpose blended finance solutions, setting the foundations to deploy and demonstrate commercially viable adaptation and mitigation solutions in the region.

The primary Recipients of this Program will be existing or potential IDB Invest clients that, in broad terms, can be categorized as: **1) Corporations and project developers of energy and infrastructure projects, including Special Purpose Vehicles (SPV), and 2) Financial intermediaries.**

The program components are:³

³ For a detailed description of the program, see section B.3. of the Funding Proposal.

Component 1 - Advisory services to promote material sustainable action in the private sector and to develop climate investment-readiness; market studies; a facility that offers advisory services, knowledge products and other related materials, support to climate change interventions by conducting climate vulnerability analysis; disaster preparedness plans; and other interventions (the “Grant Instrument,”); and

Component 2 - Portfolio of private sector investment in low-carbon and climate resilient Sub-projects in the Caribbean, offering concessional financial products, including loans, guarantees and equity investments (the “Non-Grant Instrument,” and together with the Grant Instrument, the “Components”).

The program will contribute to benefits in several environmental and social areas, including:

- Environmental from reduced pollution, sustainable transport, and blue economy (wastewater management, coastal protection).
- Social: improved livelihoods from job creation and continued livelihood opportunities in the face of climate change, resiliency from improved adaptation.
- Economic: job creation, business growth including of small and medium enterprises, access to finance, competitiveness for businesses.
- Gender equality and inclusion.

SUPPORTED SECTORS AND FOCUS AREAS

The Program’s priority sectors are:⁴

- Agriculture, forestry and other land use (AFOLU);
- Sustainable and resilient infrastructure;
- Electricity including renewable energy and energy efficiency;
- Sustainable transport, including support to electro-mobility; and
- Blue economy, Water and Waste management, including ecosystem preservation and restoration, coastal zone management, fisheries and tourism.

All projects supported by the Program will actively contribute to inclusive, net-zero and climate-resilient economies through increased private sector investment in, and adoption of, environmentally sustainable technologies, operations and practices. Projects will support the transition to a more sustainable and inclusive business practices, while empowering and building technical capacity among local talent. Benefits from the program will include reduced pollution and better waste

⁴ See section B.1. for more detail. Section B.3. contains a breakdown of which sectors and investments are considered appropriate for each of the participating countries.

management; improved livelihoods from job creation and increased resilience to natural disasters; growth of small and medium enterprises; and enhanced social inclusion including improvements in gender equity.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

Pursuant to a decision by the GCF Board⁵ and at the GCF Accreditation Panel's recommendation, IDB Invest's environmental and social management system has been found to be sufficient to meet GCF requirements for a maximum environmental and social risk Category A/I-1 projects/programs, as per the GCF Environmental and Social Risk Categories.

As such, and in accordance with IDB Invest's Accredited environmental and social risk categorization, as established within the IDB Invest Environmental and Social Sustainability Policy (the "IDB Invest Sustainability Policy"), the proposed Program's risk category is A (high risk). While it is expected that most of the projects supported will be moderate to low risk (Category B and C), some Category A projects may be considered if the development impact is considered to be significant and important for the Program.

Pursuant to the terms of the Accreditation Master Agreement signed between the GCF and IDB Invest (the "AMA"), IDB Invest will manage, implement and supervise each sub-project under the Program in accordance with its own internal policies and procedures. This includes, without limitation, using its Sustainability Framework (as defined below) to screen and provide environmental and social risk categories to each individual project under the Program.

GCF has categorized the Program as a whole as I-1, in accordance with the GCF Environmental and Social Risk Categories.

The Program will apply the 2020 IDB Invest Sustainability Policy and the IFC 2012 Performance Standards for the environmental and social risk assessment and management process.

This will operate at three levels, constituting as combination of management systems and frameworks:

1. **IDB Invest: Environmental and Social Management System (ESMS).** This is IDB Invest's process of screening and due diligence, oversight role, and advisory services to clients under the Program.
2. **Caribbean Net-Zero and Resilient Sector Program: Environmental and Social Management Framework (ESMF).** As individual investments have not been identified at this stage, the Program will take a framework approach.

⁵ GCF/B.21/17

This framework approach contains principles and processes that will be applied to individual investments. Indicative frameworks for resettlement and impacts on Indigenous Peoples have been included as Appendices to Annex 6. The framework details the due diligence process and selection of investments and Clients that the Program will apply. As described in this Annex, specialists within IDB Invest from SEG will undertake this process and provide advice to Clients. The framework also provides guidance and requirements for Clients to establish their ESMS. It will provide core content for how Clients will undertake their E&S assessment process, consult with relevant stakeholders, in particular those affected by the project, and how this process will be reflected in management decisions related to individual projects under the Program. This is described in more detail in the sections below, including how risks will be identified, avoided or minimized, and how any residual adverse impacts will be compensated or offset. Where appropriate, additional advisory services will be offered.

3. **Clients' Environmental and Social Management Systems (ESMS).** Each individual client under the program is required to develop an Environmental and Social Management System (ESMS). This applies both to real sector clients and to financial institutions.

These three levels of management systems and management framework are described in the following sections.

IMPLEMENTATION ARRANGEMENTS

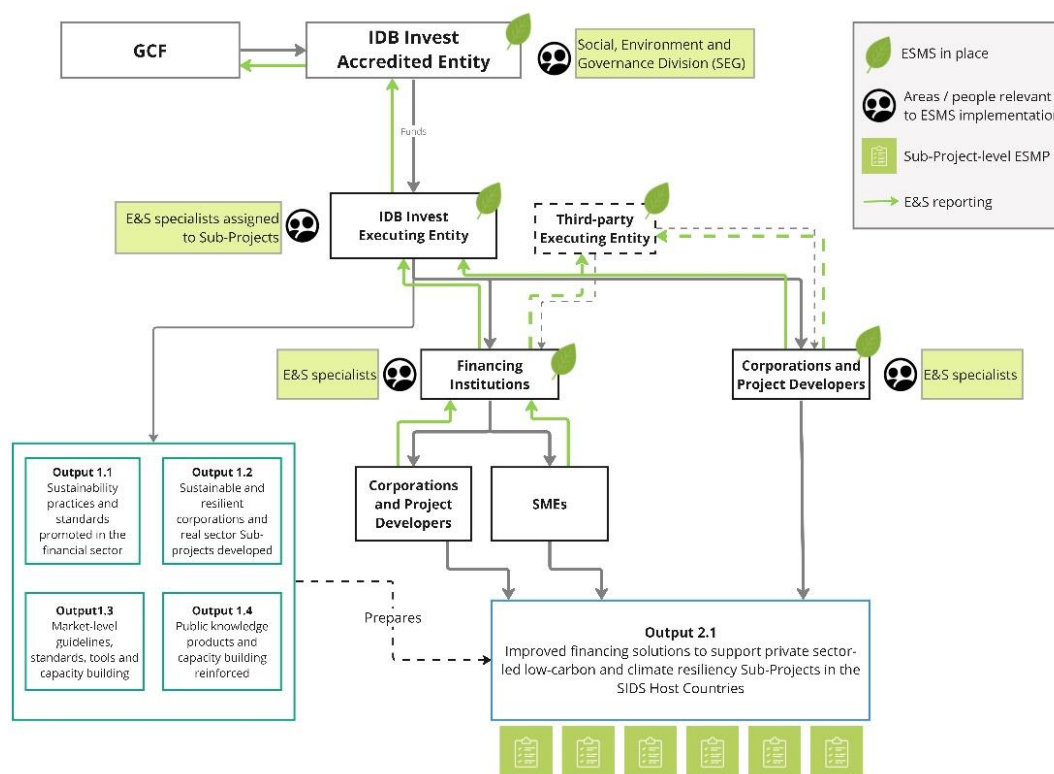
Table 1 shows the roles and responsibilities of the different Program key organizations / stakeholders; then Figure 1 illustrates the key elements of the ESMS implementation arrangements in the Program structure.

Organization / Stakeholder	Roles and responsibilities
IDB Invest	<p>IDB Invest has a robust organizational structure that is well suited to its role as Implementing Entity of the Program. The main division coordinating the environmental and social requirements of the Program will be the Social, Environment, and Governance Division (SEG), which is responsible for environmental and social risk management.</p> <p>This division will work with the department for Blended Finance, which is overall responsible for the Program within IDB Invest and will coordinate the various roles and contributions from other parts of the institution.</p> <p>IDB Invest will:</p> <ul style="list-style-type: none"> • Confirm the aptitude of Clients' environmental and social management systems. • Review and approve the appropriate measures proposed by the Project-level ESMPs to avoid, minimize, and/or offset these risks and their impacts. • Monitor the implementation execution of the Project-level ESMPs during the implementation phase (please refer to the Monitoring section in this document).
Financial Institutions	<p>All FIs involved shall have in place a fully operational ESMS.</p> <p>FIs perform the E&S screening and define the E&S risk category. In case the Sub-project constitutes significant risk, they will ensure that their Clients establish an ESMS in accordance with IDB Invest ESMS and applicable IFC Performance Standards. When the IFC Performance Standards apply, the Clients will develop appropriate action plans to implement the requirements of the Performance Standards.</p> <p>FIs will provide IDB Invest with annual environmental and social monitoring reports based on the final Clients' reports (see the Monitoring section in this document).</p>

<p>Corporate clients</p>	<p>All Corporate clients involved shall have in place a fully operational ESMS. The nature of the ESMS will be proportionate to the proposed investments.</p> <p>They will be responsible for developing the Sub-projects' specific ESMPs, in accordance with IDB Invest ESMS and applicable IFC Performance Standards.</p> <p>Corporate clients will provide IDB Invest with annual environmental and social monitoring reports showing completion of agreed actions and progress towards expected outcomes (see the Monitoring section in this document).</p>
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The following diagram allows to identify the responsibilities of the ESMS implementation in the Program structure.

Figure 1: Key elements of the ESMS implementation arrangements.



RISK MANAGEMENT

IDB Invest has a robust environmental and social management system (ESMS) focusing on risk management based on the principles, objectives, and requirements of the IDB Invest **Sustainability Framework**, which is composed of the IDB Invest Sustainability Policy; the 2012 IFC Performance Standards; the Access to

Information Policy; and the IDB Invest Exclusion List (collectively, the “Sustainability Framework”). This recently adopted Sustainability Framework incorporates international good practice and lessons learned not only by IDB Invest, but also other development finance institutions such as IFC, the World Bank, the European Bank for Reconstruction and Development (EBRD), and others. An earlier version of the Sustainability Framework formed part of the basis for GCF’s accreditation of IDB Invest as an Accredited Entity. The AMA stipulates that IDB Invest will apply its policies and procedures to manage, implement and supervise each sub-project under the Program, which were determined by the GCF Board to be consistent with GCF policies and requirements. Further improvements to the IDB Invest Sustainability Framework were made in 2020, with the updating of the Sustainability Policy, which now reflects and incorporates the most current international good practice standards, consistent with GCF policies and requirements.

The 2020 Framework consists of the Environmental and Social Sustainability Policy; the 2012 IFC Performance Standards; the Access to Information Policy; and the IDB Invest Exclusion List. The Exclusion List describes a number of types of projects that IDB Invest will not finance, whether directly or through financial institutions. This includes activities that are inconsistent with IDB Invest’s commitment to address the challenges of climate change and promote environmental and social sustainability.⁶

IDB Invest’s ESMS is described in detail in the **2020 IDB Invest Implementation Manual**,⁷ the 2012 IFC Performance Standards. The Manual contains three sections:

1. IDB Invest’s **commitment to sustainability**, with in-depth description of applicable policies and standards, and how IDB Invest’s supports the private sector through financial and non-financial solutions.
2. A detailed overview of **key environmental and social issues**, including topics such as gender, Indigenous Peoples, persons with disabilities, human rights, stakeholder engagement, land acquisition and involuntary resettlement, labor and working conditions, health and safety, cultural heritage, biodiversity and natural resources, climate change, resource efficiency and pollution prevention, and other topics.
3. A section containing guidance on **policy delivery and accountability**. This describes principles of proportionality and flexibility, how clients are expected to establish their management systems, and how IDB Invest’s own management system is structured. The section also describes grievance- and accountability

⁶ See Annex A to this section for the full IDB Invest Exclusion List.

⁷ The [Implementation Manual](#) is available on the IDB Invest’s web site. Clients under the program are expected to follow the guidance in the Implementation Manual.

mechanisms, and how IDB Invest is committed to ongoing learning, listening and engagement.

RISK SCREENING

IDB Invest screens all projects for potential adverse environmental or social impact the project may cause or contribute to. The risk factors that are considered in this screening process include different aspects, including:⁸

1. Risks of adverse impacts **directly attributable** and caused by the project, such as involuntary displacement, or pollution caused by the project.
2. Risks of **contribution**, where third-parties other than the project also contribute to negative impacts. This may include cumulative impacts, supply-chain issues, or labor influx where there are multiple contributing factors.
3. **Contextual** risk factors in the operating and receiving environment, such as the presence of disadvantaged or vulnerable groups, sensitive or high-value biodiversity settings, or high levels of conflict and violence.
4. **Performance-related** risks, including capacity, resources, and commitment to manage the project's environmental and social aspects in a responsible and sustainable manner.

Some common risk factors inherent in the different priority sectors under the program include:

- **Agriculture, forestry and other land use:** Inherent risks may include impacts on ecosystems services; land conflicts; loss of livelihoods based on subsistence agriculture, including among Indigenous Peoples, and gender-differentiated land usage that may affect women's rights more than men's.
- **Sustainable and resilient infrastructure:** Inherent risks may include economic or physical displacement caused by land acquisition or changes in land use; impacts on tangible or intangible cultural heritage; and risks to biodiversity.
- **Electricity including renewable energy and energy efficiency:** Inherent risks may include unacceptable working conditions in supply chains (e.g., forced labor or child labor in the production of solar panels); access rights and displacement related to electricity generation and transmission; and social impacts of tariff increases.
- **Sustainable transport:** Inherent risks may include displacement related to new roads or development of alternative transport modes; loss of livelihoods

⁸ These types of risks, and the expected ways in which to address them, are described in detail in the 2020 Implementation Manual.

for operators in older transport modes (e.g., changing from small, inefficient bus fleets to more modern systems may cause retrenchment in the transport sector); and differentiated access and safety for men and women.

- **Blue economy, water and waste management:** Inherent risks may include loss of traditional livelihoods in the fisheries sector through stricter regulation and modernization; tourism may create inflation and displacement of local communities; and waste management may pose risks of inadequate management of hazardous waste.

Based on these broad categories of risk, and the combination of them, IDB Invest assigns a risk classification to each project. This is not assigned mechanically or based on a standardized checklist, since each project may involve different combinations of risk factors. An adverse impact affecting vulnerable groups may constitute a higher risk given less resilience among those affected, than the same impact involving persons with more resources. Local context and performance-related factors affect how the project addresses environmental and social issues. IDB Invest will screen for these and other risk factors as part of its due diligence process.

IDB Invest's ESMS is a comprehensive system that refers to IDB Invest as a whole. It includes management support, resources, capacity, and established procedures of decision-making and documentation. Environmental and social issues are considered a shared responsibility within the institution, supported by trained and committed people to make it work, with clear roles and responsibilities.

The Implementation Manual is supplemented by a comprehensive **Environmental and Social Review Procedures Manual**, which applies to all transactions. This Manual is updated on a regular basis.⁹ It describes the steps, responsibilities, and required documentation for the institution's due diligence process, oversight role, and advisory services to clients. Each project follows clear procedures during three stages:

1. **Approval stage**, when the project's transaction team is assigned an environmental and social specialist. This applies both to individual, real sector transactions, and to financing through financial intermediaries (FIs). The specialist reviews transaction details; screens the project and verifies the project does not appear on IDB Invest's exclusion list; and assesses likely project-related risks. This process also identifies opportunities for additional environmental or social benefits. Projects are assigned a preliminary environmental and social risk category (A, B, or C), which will be updated as

⁹ The current version is dated June 2023.

more information becomes available.¹⁰ The risk category is made public, along with relevant studies and action plans.

2. **Closing stage**, when transaction agreements are prepared, and the project is approved by IDB Invest's Board.
3. **Supervision stage**, when the project deliverables are managed, and disbursements are reviewed for compliance with commitments in the agreed-upon Environmental and Social Action Plan. Environmental and social specialists from IDB Invest conduct field visits and contribute to the project's Annual Supervision Report.

Environmental and social specialists are guided by several screening tools and other guidance to assess and manage specific risk factors. These tools and guidance notes are updated and expanded on regularly. They include screening and checklists for topics such as:

- Climate Risk Analysis
- An overview environmental and social questionnaire
- Gender Risk Assessment
- Fact sheet on grievance mechanisms
- Fact sheet on reprisals

These and other topics are explicitly addressed in the 2020 IDB Invest Sustainability Policy, and in the 2012 IFC Performance Standards applicable to clients under the program. The current policies and requirements are considered international good practice on all the relevant topics and factors related to the private sector's responsibilities for assessment and management of environmental and social risks and impacts. Some examples of specific topics include:

- Clear criteria for how to address issues of Gender-Based Violence, including Sexual Exploitation, Abuse, and Harassment (SEAH) are included in the IDB Invest Sustainability Policy (para 21).
- The rights of Indigenous Peoples, covering issues such as identification of Indigenous Peoples, processes and criteria for when and how Free, Prior, and Informed Consent (FPIC) is required, and the rights of Indigenous Peoples in voluntary isolation. Detailed requirements related to the rights of Indigenous Peoples are covered in IFC's Performance Standard 7; in the IDB Invest Sustainability Policy (para 22); and in the Implementation Manual (pages 46 to 52). An example of an Indigenous Peoples Planning Framework is included as Appendix C to this Annex.

¹⁰ See the discussion in the section below on Risk Categorization.

- Rights of persons with disabilities (IDB Invest Sustainability Policy para 23, Implementation Manual pages 52 to 54).
- Human rights (IDB Invest Sustainability Policy para 17, Implementation Policy pages 55 to 58, consistent with the 2011 United Nations Guiding Principles for Business and Human Rights).
- Biodiversity and natural resources (IFC Performance Standard 6, which also covers ecosystem services; IDB Invest Sustainability Policy para 14; Implementation Manual pages 94 to 97). This requires 'net positive gain' in situations where projects may affect critical natural habitats.
- Involuntary resettlement (IFC Performance Standard 5; IDB Invest Sustainability Policy para 25; Implementation Manual pages 73 to 76). This includes prohibitions on forced evictions; support both to compensation for lost assets and livelihood restoration; and respect for different land tenure and occupancy modes, including informal and collective land usage. An example of a Resettlement Framework is included as Appendix B to this proposal. This includes measures to restore livelihoods.
- Conflict, fragility, and violence. While conflict and violence situations may not have been caused directly by the project, operations in such settings will make implementation more difficult, and may affect more direct project-related impacts, for example if affected persons are more vulnerable as a result of conflict or fragility. These and other contextual factors will be addressed in individual projects through a contextual risk assessment as part of the overall environmental and social assessment process. This is described in the IDB Invest Implementation Manual, in particular in the sections addressing risks to the project (e.g., Implementation Manual page 38), and responsible use of security forces (IFC Performance Standard 4, and Implementation Manual pages 89 and 90).

These and a large number of other topics are covered in the IDB Invest Sustainability Framework as described above. Clients under the GCF program will be required to meet these standards. IDB Invest will verify compliance with the standards and requirements, and support clients in building capacity for managing this broad set of environmental and social risk factors.

RISK CATEGORIZATION: REAL SECTOR CLIENTS

Based on the assessment of the types of risk factors described above, including potential cumulative impacts of several risk factors being present in the same project, IDB Invest assigns an environmental and social risk category as follows for **real sector projects**:

- **Category A** projects could result in potentially significant environmental and/or social risks and impacts, which are diverse, irreversible, or unprecedented that

may extend beyond the boundaries of the actual project site or facilities. In principle, Category A includes projects which have significant impacts on protected or sensitive areas and/or vulnerable groups. Projects supported through Financial Intermediaries under the GCF program will exclude Category A projects. The proposed GCF program will not exclude potential Category A projects for direct real sector clients, since such projects may contribute to larger scale and more significant development impacts. However, clients will be required to apply more in-depth scoping, assessment, and management of risk factors in Category A projects. Stakeholder consultations and engagement will also be more comprehensive, requiring Informed Consultation and Participation (ICP, see IFC Performance Standard 1, para 31). All Category A projects under the program will be required to disclose relevant environmental and social studies and action plans a minimum of 120 days before IDB Invest approves the project. Category A projects will be required to prepare relevant studies, documentation of consultation, and management frameworks and plans to address risks and impacts. Depending on the circumstances and setting of the projects, these may include Environmental and Social Impact Assessments (ESIAs) and Environmental and Social Management Plans (ESMP) where sites and impact areas are known. For more programmatic approaches, or where specific sites are unknown at the time of project approval, an Environmental and Social Management Framework (ESMF) will be required. Such ESMPs and ESMFs may cover the project as a whole, or be focuses on a particular set of risk factors, such as a resettlement plan or livelihood restoration and compensation plan in cases of physical or economic displacement. IDB Invest does not require clients to use fixed templates for these types of documents, since their content will depend on the nature of the project, the setting and operating environment, and broader contextual risks and other factors. However, IDB Invest and its clients generally refer to the generic, indicative outlines for some of the action plans included in the 2012 IFC Performance Standards Guidance Notes. A summary of this is provided as an example at the end of this Annex.

- **Category B** projects have potential environmental and/or social impacts and risks that are less adverse than those of a Category A and which are generally limited to the project site, largely reversible and can be mitigated via measures that are readily available and feasible to implement in the context of the operation. The same studies, plans or frameworks are generally required for Category B projects as for Category A projects, but the scope and level of detail may be simplified, proportionate to project risk, scale, and complexity.
- **Category C** projects are those that are likely to result in very limited or no adverse environmental or social impacts or risks. Generally, no specific environmental and social impact assessments, frameworks or plans are required in Category C projects.

The risk category is made public, along with relevant studies and action plans.¹¹

The risk category determines the level of effort, resources, and management oversight IDB Invest assigns to each project. It also informs the actions and requirements applicable to the client. This is described in detail in the section below on Risk Assessment and Management: Real Sector Clients.

RISK CATEGORIZATION: FINANCIAL INTERMEDIARIES

IDB Invest uses different criteria and risk categories for financing and support channeled through **financial institutions**. In such cases, IDB Invest's direct relationship is with the FI, not with the FI's clients and their borrowers or projects. Through its relationship with the FI, IDB Invest seeks to ensure that the FI takes on the responsibility, and has the capacity, to apply the principles and requirements of the Sustainability Framework in its operations. This is described in detail in the section below on Risk Assessment and Management: Financial Intermediaries. IDB Invest screens and categorizes FI operations using the following categories based on an assessment of the FI's management system and the profile of its portfolio:

- **FI-1:** Substantial risk;
- **FI-2:** Moderate risk; and
- **FI-3:** Low risk.

IDB Invest's funds cannot be used by the FI to finance projects that are categorized as Category A, significant risk. The Program will only permit FIs screened as FI-3 (low risk) or FI-2 (moderate risk) or specific investments categorized as B or C to be considered eligible.

RISK ASSESSMENT AND MANAGEMENT: REAL SECTOR CLIENTS

IFC PERFORMANCE STANDARDS AND THE EQUATOR PRINCIPLES

IDB Invest requires its real sector clients to apply the set of eight Performance Standards developed by the private sector arm of the World Bank Group, the IFC. The Performance Standards were established in 2006 and revised through a global consultation process from 2009 to 2011. The current Performance Standards became effective in January 2012. The eight Standards are:

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions

¹¹ See the section below on Stakeholder Engagement for details on disclosure

3. Resource Efficiency and Pollution Prevention and Management
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

These Standards constitute a comprehensive sustainability framework that has become the most recognized and widely used international framework for environmental and social risk identification and management in the private sector. This is particularly the case among banks and other financial institutions: As of December 2023, 138 commercial financial institutions in 38 countries have adopted the Equator Principles. The member institutions require their clients to apply the IFC Performance Standards in financing of projects and large-scale corporate finance.

ENVIRONMENTAL, HEALTH, AND SAFETY GUIDELINES

Companies supported under the program are also required to apply the World Bank Group Environmental, Health, and Safety (EHS) Guidelines.¹² These are technical reference documents containing performance levels and measures that are acceptable and generally considered to be achievable in new facilities at reasonable cost using existing technology. There are currently general guidelines related to environmental issues, occupational health and safety, community health and safety, and construction and decommissioning. Additionally, there are detailed EHS guidelines for different industry sectors.

ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCESS

Corporations and institutions supported under the proposed program will undertake a process of environmental and social assessment, ESA. This is an ongoing and iterative process throughout the project's lifetime. Depending on the project and local context, it has specific milestones and deliverables at different times. Key elements of the ESA process include:

- Environmental and social risk factors are identified, and relevant reports are produced, discussed and disseminated¹³;

¹² See online resources for [IFC Environmental, Health, and Safety Guidelines](#).

¹³ See the earlier discussion of environmental and social risk factors.

- Different stakeholder categories, in particular vulnerable groups and those who may be adversely affected by the project, are identified and consulted in appropriate manners¹⁴;
- Inputs for project design and implementation to avoid harm and enhance benefits, both to people and the natural environment, are agreed on and carried out¹⁵;
- Specific in-depth studies, mitigation and action plans are prepared and implemented as appropriate in the project setting; and
- The ESA process provides the basis for establishing project-level grievance mechanisms.¹⁶

The ESA process is both analytical and participatory in nature. Depending on the project, specific studies and / or action plans may be required to cover relevant topics (e.g., labor management procedures, resettlement plans, biodiversity management plans). These form the basis for management decisions related to overall project design and implementation.

Once individual projects are identified, clients are required to prepare relevant studies, consultation processes, and action plans for potential environmental and social risks and impacts. Depending on the nature of the project, and whether site-specific impact areas are known or not, such action studies may include an Environmental and Social Impact Assessment (ESIA), an Environmental and Social Management Plan (ESMP) or Management Framework (ESMF), and specific plans to address specific topics as appropriate. Such plans may include a Biodiversity Assessment and Management Plan, a Traffic Management Plan, a plan for managing security forces, and other plans depending on the nature and setting of the project. Relevant studies and plans will be identified by the client during the project screening and scoping process, and agreed on with IDB Invest.

STAKEHOLDER ENGAGEMENT

Real sector clients are expected to identify and engage with different stakeholder groups in a transparent and inclusive manner throughout the project's lifetime. The process is characterized by the following principles and elements:¹⁷

¹⁴ For more detail, see the section below on stakeholder engagement.

¹⁵ This is discussed below, under Risk Mitigation Hierarchy.

¹⁶ See the section on Grievance Redress Mechanisms.

¹⁷ See the [IDB Invest Implementation Manual](#) for more detail on stakeholder engagement.

- It is ongoing and iterative, and undertaken as a process both during project preparation and implementation, rather than one or a few isolated events.
- It is based on a disaggregated stakeholder analysis, which forms the basis for representation and involvement of different categories of stakeholders.
- It is conducted in a manner that is equitable and non-discriminatory, ensuring that women, the poor, and vulnerable groups among stakeholders are given a voice and are not disproportionately impacted by any adverse impacts the project may cause or contribute to.
- Stakeholders will be given prior information about relevant aspects of the project, in a language, format, and manner that is appropriate, clear, and accessible.
- Consultation events and other means of engagement with stakeholders will be tailored to the needs of different groups, to ensure that all relevant perspectives are captured and considered.
- The engagement process will be respectful and free of coercion, intimidation, or reprisals.
- The process will be transparent, with documentation and public disclosure of how stakeholders are engaged, what their views and concerns are, and how stakeholder perspectives are considered and reflected in project design and implementation.¹⁸ For Category A projects, IDB Invest discloses environmental and social assessment documents on its website at least 120 days prior to Board discussion and approval of each project it considers financing. Category B and C documents may be disclosed later. IDB Invest also discloses its own Environmental and Social Review Summary (ESRS) of each project, and the project's Environmental and Social Action Plan (ESAP). The ESRS includes a description of the project's risk classification. Documents are translated into IDB Invest's official languages as needed, including Spanish, Portuguese, and French.
- Stakeholders should be able to voice concerns and grievances, and to seek remedy from the client if they feel the project may cause harm to them or the environment.¹⁹

In cases of potential significant adverse impacts on Indigenous Peoples, the IFC Performance Standard 7 requires that affected communities provide their Free, Prior,

¹⁸ Disclosure requirements are described in [IDB Invest's Access to Information Policy](#).

¹⁹ See the later section on grievance redress mechanisms.

and Informed Consent (FPIC).²⁰ FPIC is required in circumstances that involve one or more of the following potential impacts:

- Impacts on lands and natural resources subject to traditional ownership or under customary use
- Relocation of Indigenous Peoples from Lands and Natural Resources Subject to Traditional Ownership or Under Customary Use
- Critical Cultural Heritage, including the use of knowledge, innovations, or practices of Indigenous Peoples for commercial purposes.

The information provided to different groups should be tailored to their interests, needs, and likely concerns. People should be provided clear information about how the project is likely to affect them, and what they are being asked to do or agree to. Different forums and methods for consultations and stakeholder engagement may include:

- Nontechnical summary project studies and plans
- Public hearings or meetings
- Workshops and seminars
- Consultations with key informants
- Focus groups
- Awareness campaigns and outreach
- Use of online consultation methods where appropriate

RISK MITIGATION HIERARCHY

Based on the stakeholder engagement process and the findings and recommendations of the environmental and social assessment process, the client will reflect environmental and social risks and opportunities in the project's design and implementation. The project is required to take steps to avoid, minimize, or compensate for any adverse impacts. This is referred to as applying a **mitigation hierarchy**, through which potential adverse impacts are identified and anticipated; avoided where possible; minimized or reduced; restored or rehabilitated; and any residual, unavoidable impacts are compensated or offset. Going through these stages of the risk mitigation hierarchy, the risks of adverse impacts get successively reduced or eliminated, with the objective of no net harm resulting from the project within a reasonable timeframe. Detailed guidance on the application of the risk

²⁰ This is described in detail in [Performance Standard 7](#), and also in the IDB Invest 2020 Implementation Manual.

mitigation hierarchy is provided in the IDB Invest Implementation Manual, pages 115 and 116.

RISK ASSESSMENT AND MANAGEMENT: FINANCIAL INSTITUTIONS

Financing under the Caribbean Net-Zero and Resilient Private Sector in the financial sector will involve support to financial institutions (FIs) to on-lend to different clients for projects and activities that contribute to the overall objectives of the program. Lending through FIs strengthens domestic capital and financial markets, and provides access to finance in the region. Such lending can have a positive multiplier effect: Through a single transaction, IDB Invest can reach a much larger number of clients and support a whole sector, and also catalyze additional investments. This will have a far greater development impact than through individual projects. Through the program, IDB Invest seeks to promote sustainability in the financial sector by support to climate-friendly policies and practices. FIs will be supported to build green portfolios with green financial products, especially in sectors central to the NDCs. This will include segmenting their portfolios and defining sub-portfolios with high climate impact including renewable energy and energy efficiency, sustainable transport, resilient infrastructure and the blue economy. Financial institutions will be supported in accessing new customer segments that have a higher exposure to climate risk and represent untapped market opportunities for local financial institutions; new financial products that respond to the emerging needs that existing customers may face due to changing climate; and improved corporate governance that integrates sustainability considerations in the participating FIs' decision-making and reporting.

The Program support to FIs may be for individual investment projects that the FI's clients undertake, or towards a whole asset class with multiple sub-projects and activities. Under this approach, the FI takes on the responsibility and develops the capacity to apply the principles and requirements of the IDB Invest Sustainability Framework. The FI has to establish an Environmental and Social Management System (ESMS) with procedures for assessing and managing risks of the transactions it undertakes, and undertake a due diligence process of its potential clients and investments. It is expected that most of the financing will go towards low to moderate risk projects from an environmental and social perspective, applying national law and the IDB Invest Exclusion List. If higher risk projects are funded, clients will also be required to apply relevant aspects of the IFC Performance Standards and World Bank Group EHS Guidelines. Individual sub-projects that would be categorized as Category A projects, significant risk, are excluded from consideration of financing.

In the engagement with FIs, IDB Invest's responsibility, due diligence, and support focuses not on individual clients or projects financed by the FI, but on the FI's overall management system and nature of its portfolio. In its engagement with FIs IDB Invest will focus on assessing the FIs' management systems and procedures, and support the FIs in applying relevant aspects of the IDB Invest Sustainability Framework in the FIs' transactions with their clients. The due diligence process IDB Invest applies when

considering FI financing includes evaluation of ES risks associated with existing activities of potential FI clients, as well as the FI client's capacity and commitment to manage those risks. These risks depend on factors such as the contextual risk associated with the countries and regions where the FI operations, the specific ES circumstances associated with the borrower/investee's sector and operations, the borrower's/investee's tract record, capacity, and commitment to address these risks, as well as the type of financing provided by the FI.

IDB Invest does not publish standardized checklists for its due diligence process or for monitoring, neither for FIs nor in direct financing of companies. Multiple factors are considered, and risks will vary from client to client and project to project. Giving the impression that there is a standardized, "one size fits all", approach would be misleading and likely to cause confusion. At the individual project level, specific screening documentation will need to be kept confidential, since it reflects internal, deliberative processes. This may include an assessment of expected client performance, capacity and commitment. Such information is confidential.

The participating FIs will be required to monitor environmental and social risks of their portfolio and subprojects, and ensure that their clients apply relevant aspects of the IFC Performance Standards and World Bank Group EHS Guidelines, where applicable. Similar to other clients under the program, the FIs have to establish an Environmental and Social Management System (ESMS) with procedures for assessing, categorizing, and managing risks of the transactions it undertakes. The comprehensiveness of the ESMS is determined by IDB Invest's FI categorization and the level of environmental and social risk associated with the asset class supported.²¹

POLICY AND LEGAL FRAMEWORKS

All clients have to comply with national law in the countries they operate in. They also have to comply with IDB Invest's Sustainability Policy, and the relevant IFC Performance Standards. These standards are informed by, and intended to be consistent with, internationally agreed upon norms such as UN conventions and the Sustainable Development Goals, and current and emerging good international industry practice. Principles related to human rights including rights of persons with disabilities are embedded in the IDB Invest Sustainability Policy and the 2012 IFC Performance Standards.

It is exceedingly rare that there is a direct conflict between IDB Invest's Sustainability Framework and national law. However, it is common that there are gaps, where national legislation, implementation practice, and local accountability mechanisms lag behind international good practice standards. National law may also have stricter requirements than the Sustainability Framework. The rule that will be applied is that

²¹ See the earlier discussion of FI risk categorization, under IDB Invest's Environmental and Social Management System.

where host country regulations are different from the requirement in IDB Invest's Sustainability Policy and relevant IFC Performance Standards, clients are required to apply whichever is more stringent. A common example is in the area of displacement, where national legislation typically only provides for compensation to landowners with clear legal title when land is expropriated or acquired. IDB Invest's ESMS, which applies under this Program, also recognizes and requires support to (i) persons without clear title, such as common property occupancy; and (ii) support to people restoring lost livelihoods. Similarly, Indigenous Peoples may or may not be fully recognized in different jurisdictions, and they may not have the right to Free, Prior and Informed Consent (FPIC) in the circumstances described in Performance Standards 7. In these situations, and in other types of project-related impacts where there are gaps, IDB Invest will require and ensure that the principles under the IDB Invest Sustainability Policy and the 2012 IFC Performance Standards will apply.

GRIEVANCE REDRESS MECHANISMS

PROJECT-LEVEL GRIEVANCE MECHANISMS

As described in the earlier section on stakeholder engagement, IDB Invest requires clients to engage with affected communities on an ongoing basis. This includes establishing a way to resolve questions, concerns and complaints. IDB Invest uses a comprehensive set of accountability and grievance mechanisms, and requires clients to do the same. This builds on the fundamental principle in the UN Guiding Principles on Business and Human Rights, of affected populations' right to remedy. These grievance and accountability mechanisms are not mutually exclusive. Complainants have the right to access national dispute resolution mechanisms and grievance mechanisms, such as a national Ombudsperson facility, or a court of law if a Complainant is not satisfied with a client's grievance mechanism, such Complainant may also access the GCF's Independent Redress Mechanism where appropriate and to the extent defined in applicable GCF policies and procedures.²²

Each project will establish a fair, transparent and equitable mechanism that seeks to address and resolve stakeholder concerns. This will function in a manner that is culturally appropriate, readily accessible, and at no cost and without retribution to the party that originated the issue or concern.

²² Since IDB Invest's clients are responsible for designing and implementing projects, and for assessing and managing environmental and social risks and impacts, the most effective and appropriate mechanism for a Complainant is to obtain responses to queries, complaints, and grievances will normally be the client's grievance mechanism. IDB Invest's Independent Consultation and Investigation Mechanism will perform its duties and exercise its powers and functions in accordance with applicable IDB Invest policies and procedures.

Clients are also required to establish grievance mechanisms for project workers. This is separate from the mechanism available to affected communities. This access to a workers' grievance mechanism will be provided to all workers, irrespective of whether they have a collective bargaining agreement or not. The policy and procedures for the grievance mechanism will be communicated to management and all workers in a clear and understandable manner. Workers will be allowed to file anonymous complaints.

Special attention will be paid to concerns or complaints related to Sexual Exploitation, Abuse, or Harassment in projects, both as it may affected project workers and local communities and other stakeholders. The principle applied will be one of a survivor-centered approach, with full respect for confidentiality, protection against retaliation against complainants, and provision of support and services such as health services to survivors and complainants.

IDB INVEST GRIEVANCE AND ACCOUNTABILITY MECHANISMS

IDB Invest recognizes that there may be situations where local communities feel their concerns are not being satisfactorily addressed at the project level. People who feel a project may cause harm to people or the environment can engage directly with IDB Invest and access either or both of two mechanisms: A management-led grievance mechanism, and an independent accountability mechanism, known as MICI.

MANAGEMENT GRIEVANCE MECHANISM

IDB Invest has developed a stakeholder engagement and response platform where affected communities and other stakeholders may submit their concerns and complaints related to a project. Submissions of complaints may be made in different forms, such as through its website, in person, by mail or email, or in other ways. Once a complaint has been received, the institution will provide initial confirmation of receipt to the complainant, and consider the nature and eligibility of the submission. If the complaint relates to environmental and social performance and possible non-compliance with the Sustainability Framework, it is handled by the Management-led Grievance Mechanism, MGM. This mechanism is managed by a dedicated team in IDB Invest, which is independent from the project team. The team will attempt to resolve the issues stakeholders are concerned with through a Proposed Response Course of Action, PRCA. This will be discussed with the complainant. The PRCA may suggest different actions, such as local-level dispute resolution. It may also suggest that the client provide additional support or compensation to affected individuals or groups if warranted.²³

²³ See details of the [IDB Invest Management Grievance Mechanism](#) online

INDEPENDENT CONSULTATION AND INVESTIGATION MECHANISM, MICI

IDB Invest established an Independent Consultation and Investigation Mechanism, ICIM or MICI in Spanish, in 2015.²⁴ It is independent from the management structure at IDB Invest, and reports directly to the Board of Executive Directors. MICI provides a mechanism and process independent of Management in order to investigate allegations by Requesters of Harm produced by the IDB Invest's failure to comply with its Relevant Operational Policies in IDB Invest-Financed Operations.

In cases of a compliance review, MICI will investigate the case and submit a public report to the Board of Executive Directors. IDB Invest management may propose remedial actions and corrections to the project. The final decision on such measures and Management's proposed action plan is made by the Board of Executive Directors. Project-specific remedial actions remain the responsibility of the client. However, IDB Invest will work with the client and advise on how necessary remedial actions should be implemented. Required actions may also arise as the responsibility of IDB Invest Management, for example additional measures at the institutional level to assess and address environmental and social issues. In cases of continued poor performance or non-compliance on the part of clients with the requirements of the Sustainability Framework, IDB Invest may apply remedies as established in the IDB Invest Sustainability Policy and contractual arrangements with the client.

MONITORING

IDB Invest will monitor and evaluate the contribution of each project supported by the program to the expected outputs and outcomes of the Fund in accordance with its impact measurement management framework and procedures. IDB Invest defines for each transaction a theory of change (vertical logic) which is represented in the projected result matrix (PRM), with the outcomes and outputs the project is contributing to, measured in specific indicators, including mitigation and adaptation results, as well as, when applicable, SMEs or beneficiaries of GDI initiatives. These indicators are specific, measurable, achievable, relevant and time-bound (SMART). These indicators will have a baseline at project approval and estimated targets for each indicator representing the expected results to be achieved. IDB Invest monitors projects' performance annually during the life of the transaction against the projected targets. Each PRM identifies the relevant project-level indicators and the data sources for each case. Data collected comes primarily from IDB Invest client reported information. In certain cases, and whenever deemed appropriate, secondary or primary sources of data could be used to complement the information, such as surveys, censuses, other administrative data not produced by the client, among others. For projects supported by the program, each one of them is expected to include specific indicators that are consistent with the theory of change of the

²⁴ See details of [MICI's work](#) online

program and will be assessed ex ante and monitored and reported accordingly to measure projects' contribution to the program's objectives.

IDB Invest monitors the environmental and social performance of its investments as an integral part of its portfolio management program. In the legal agreements that document its operations, IDB Invest agrees with the client on a regular program of supervision of the management of environmental and social risks and impacts against the agreed requirements, the frequency and extent of which will be commensurate with the risk category assigned. This applies both to real sector clients and FIs.

Clients are required to provide IDB Invest with annual environmental and social monitoring reports showing completion of agreed actions and progress towards expected outcomes. This requirement is part of the legal agreement between IDB Invest and its clients when a project is approved. Part of IDB Invest's supervision role is to verify the information provided by the clients through these monitoring reports. Monitoring of environmental and social issues will involve establishing a system that includes:

- Identification of key risks, opportunities, expected outcomes and impacts, and distributional aspects of impacts on different stakeholder categories, with a particular emphasis on women and vulnerable groups.
- Determination of appropriate quantitative and qualitative indicators, and units of analysis (e.g., individuals, households, ecosystem services in the project impact area).
- Determination of research methodology to collect data.
- Establishment of baseline data and benchmarks, to judge progress and results in relation to the sustainability of the project and contribution to the overall program goals.
- Regular reporting and public disclosure of monitoring results, including progress with environmental and social action plans.

Such systematic monitoring will allow the individual projects under the program to respond to unanticipated risks and changing circumstances through a process of adaptive management. This will allow for modifications to original plans and where needed.

Project monitoring by the client will be based on data collected through this process. It will be verified by IDB Invest through supervision. Robust data will also be the basis for independent evaluations. Monitoring, supervision and evaluation have different purposes, and will generally use different types and levels of indicators, benchmarks, and targets:

- **Monitoring** is part of the project Environmental and Social Management System, and is the responsibility of the client as an ongoing process. It focuses on the

environmental and social aspects of project inputs and activities, and on immediate outputs. Clients of IDB Invest will produce regular monitoring reports on progress against targets and benchmarks agreed upon.

- IDB Invest conducts **supervision** of projects. This is done regularly; the frequency and intensity are proportionate to project risk, scale, and complexity. The supervision serves to verify project performance and results in meeting the objectives and requirements of the Sustainability Framework. In the legal agreement, IDB Invest agrees with the client on a regular program of supervision of the management of environmental and social risks and impacts against the agreed requirements, the frequency and extent of which will be commensurate with the risk category assigned to the project.
- **Evaluations** focus on quality and sustainability of higher-level outcomes and impacts, and on whether the project has reached or is reaching its goals. Evaluations are typically done by evaluators who are independent of the project. Such evaluations can be commissioned by the client, or undertaken by the IDB Group's independent Office of Evaluation and Oversight, OVE. Evaluations may also be jointly commissioned by IDB Invest and the client.

ESMS BUDGET

The ESMS budget is included in the total cost of the project, and mechanisms will be ensured for the timely availability of these funds. The budget allocated to the ESMS covers a wide range of activities: consultants that will be hired by the program to monitor these issues, E&S supervision expenses, capacity needs assessment of clients and FIs, and technical assistance to clients and FIs. In addition, each sub-project must cover the costs of preparing and implementing its own assessment and management of environmental and social risks and opportunities.

APPENDICES

A. IDB INVEST ENVIRONMENTAL AND SOCIAL EXCLUSION LIST

The IDB Invest will not knowingly finance, directly, or indirectly through FIs, projects involved in the production, trade, or use of the products, substances or activities listed below. Additional exclusions may apply in the context of a specific operation.

1. Prohibited Activities

- a) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements, or subject to international phase out or bans, such as:
 - i. Polychlorinated biphenyl compounds (PCBs).
 - ii. Pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans.¹
 - iii. Persistent Organic Pollutants (POPs).²
 - iv. Ozone depleting substances subject to international phase out.³
 - v. Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora CITES.⁴

¹ Reference documents are: Council Regulation (EEC) No 2455/92 of 23 July 1992 Concerning the Export and Import of Certain Dangerous Chemicals, as amended from time to time; United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard, World Health Organization Pharmaceuticals: Restrictions in Use and Availability.

² Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009

³ Ozone Depleting Substances (ODSs) are chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes.' The Montreal Protocol lists ODSs and their target reduction and phase out dates. The chemical compounds regulated by the Montreal Protocol include aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents. (www.unep.org/ozone/montreal.shtml).

⁴ www.cites.org

- vi. Transboundary trade in waste or waste products,⁵ except for non-hazardous waste destined for recycling.
 - vii. Lead paint or coatings in the construction of structures and roads.⁶
- b) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements relating to the protection of biodiversity resources or cultural heritage.

⁵ As defined by the Basel Convention (www.basel.int)

⁶ Paints or coatings with a total lead concentration great than 90 ppm or the concentration limit set by the host country, whichever is lower.

2. Other Activities

- a) Activities that, although consistent with a country's legal and/or regulatory framework, may generate particularly significant adverse impacts on people and/or the environment.
- i. Weapons, ammunitions and other military goods/technology.
 - ii. Tobacco.¹
 - iii. Gambling, casinos and equivalent enterprises.²
 - iv. Radioactive materials.³
 - v. Unbonded asbestos fibers or asbestos-containing products.
 - vi. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- b) Activities that are inconsistent with the IDB Invest's commitments to address the challenges of climate change and promote environmental and social sustainability
- i. Thermal coal mining or coal-fired power generation and associated facilities.⁴
 - ii. Upstream oil exploration and development projects.
 - iii. Upstream gas exploration and development projects. Under exceptional circumstances and on a case-by-case basis, consideration will be given to financing upstream gas infrastructure where there is a clear benefit in terms of energy access for the poor and where greenhouse gas (GHG) emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.

¹ This does not apply to projects whose primary objective is not related to the production, trade, or use of tobacco.

² This does not apply to projects whose primary objective is not related to the construction and operation of gambling, casinos and equivalent enterprises

³ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source is to be trivial and/or adequately shielded.

⁴ This applies only to associated facilities which primary objective is related to the production, trade or use of coal for power generation or to the transmission of energy generated by a coal-fired power plant (e.g. a dedicated transmission line).

B. EXAMPLE OF RESETTLEMENT FRAMEWORK

This is an indicative resettlement framework included here as an example only, since individual projects have not yet been identified. Clients will be required to develop their own resettlement frameworks, resettlement action plans, or a combination of the two, depending on the nature of their project or program, inherent sector risks, risk in the operating environment, consistency with national law, and other factors.

A generic resettlement framework may cover the following elements:

1. A brief description of the project and components for which land acquisition or changes in land use may be required, and which may involve physical and/or economic displacements of affected communities, households, and individuals. This would include an explanation of who a resettlement framework rather than a site-specific resettlement plan is being prepared.
2. Principles and objectives governing resettlement preparation and implementation.
3. Assessment of project-related land acquisition undertaken by others where relevant, in particular by government under national land acquisition law. Clients are required to collaborate with the responsible government agency. If government actions do not meet the relevant IDB Invest requirements, clients will describe how the objectives of IFC Performance Standard 5 are to be met, including through retroactive gap-filling measures where appropriate.
4. A description of the process for preparing and approving resettlement plans once sites and specific land-related activities of the project have been identified.
5. Estimated displacement impacts and estimated numbers and categories of displaced persons, to the extent feasible.
6. Eligibility criteria for defining various categories of displaced persons.
7. A description of how the project will ensure security of tenure in the new location for physically displaced persons.
8. A legal framework reviewing the fit between national laws and regulations, and Performance Standard 5 requirements, and measures proposed to bridge any gaps between them.
9. Methods of valuing affected assets.
10. Specific livelihood restoration plans where relevant, and timelines for implementing the plans. The mitigation of economic displacement will be considered complete when affected persons or communities have received relevant assistance to reestablish livelihoods, in accordance with IFC Performance Standard 5.

11. Organizational procedures for delivery of compensation and other resettlement assistance, including the responsibilities of different agencies involved, such as contractors.
12. A description of the implementation process, defining resettlement implementation as being on the critical path before civil works can take place.
13. A description of the project grievance redress mechanism(s) as applicable to the resettlement process.
14. A description of the arrangements for funding resettlement, including the preparation and review of cost estimates, the flow of funds, and contingency arrangements.
15. A description of the mechanisms for consultations with, and participation of, displaced persons in planning, implementation, and monitoring.
16. Arrangements for monitoring by the client, and, if required, by third-party monitors. This includes regular monitoring reports provided by the client to IDB Invest.

C. EXAMPLE OF INDIGENOUS PEOPLES PLANNING FRAMEWORK

This is an indicative Indigenous Peoples Planning Framework included here as an example only, since individual projects have not yet been identified. Clients will be required to develop their own frameworks, action plans, or a combination of the two, depending on the nature of their project or program, inherent sector risks, risk in the operating environment, consistency with national law, and other factors.

1. The purpose of the Indigenous Peoples Planning Framework is to establish the requirements of IFC Performance Standard 7, organizational arrangements, and design criteria to be applied by the client to subprojects or project components to be prepared during project implementation when Indigenous Peoples may be present in, or have collective attachment, to the project area. The client will develop a specific plan with detailed implementation arrangements once a project site has been identified, and Indigenous Peoples have been identified and confirmed to be present in or have collective attachment to the project area.
2. Project activities that may affect Indigenous Peoples will not commence until such specific plans are finalized and approved by IDB Invest.
3. A description of the types of sub-projects likely to be proposed for financing under the project.
4. A review of the legal and institutional framework applicable to Indigenous Peoples in the country.
5. Description of the process for gathering baseline data on the demographic, social, cultural, and political characteristics of Indigenous Peoples in the project area.
6. An initial estimate of potential adverse environmental and / or social impacts on Indigenous Peoples.
7. A description of how the project will engage with and ensure the informed consultation and participation (ICP) of Indigenous Peoples in accordance with IFC Performance Standard 7.
8. A description of potential impacts that may require the Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples affected by the project. If such impacts may occur, the framework and relevant action plan(s) will describe the process for ensuring FPIC, and how to verify and document the outcome of the process.
9. Institutional arrangements, including capacity building where necessary, for screening project-supported activities, evaluating their effects on Indigenous Peoples, preparing Indigenous Peoples Plans, and addressing any queries or grievances.
10. Monitoring and reporting arrangements, including mechanisms and benchmarks appropriate to the project. This includes regular monitoring reports by the client to IDB Invest.

D. EXAMPLE OF MONITORING TEMPLATE

IDB Invest requires all clients to produce and submit regular monitoring reports, at a minimum on an annual basis. Higher risk project may require more frequent reporting. Principles of monitoring and supervision are described in an earlier section of this Annex, and discussed in detail in the IDB Invest Implementation Manual (pages 130-134). Quantitative and qualitative monitoring data will be compared with baseline data for key indicators identified within the monitoring framework.

There is no common monitoring template used for all IDB Invest projects, since the issues to be monitored and reported on depend on the specific risks and issues relevant in each project. A more detailed monitoring format will be required for higher risk projects, while a simplified version of a monitoring format will be used in projects of moderate to low risk.

Much of this information is confidential, and monitoring reports are not disclosed publicly. However, an indicative list of general topics that may be monitored and reported on is included here for illustrative purposes only. This takes the IFC Performance Standards as a basis, keeping in mind that not all Standards apply in all projects, and that not all topics covered in the Performance Standards may constitute risks that need to be monitored and reported on even if a Standard applies.

Examples of monitoring information

1. **Overview** of project status, including operations and significant events, and implementation of the project's Environmental and Social Action Plan (**ESAP**).
2. Status of the project's **Environmental and Social Management System (ESMS, PS1)**. This may include key changes and achievements during the reporting period if relevant; changes in organizational structure related to environmental and social issues; any new initiatives related to sustainability considerations and risk management; updates on community and stakeholder engagement; and updates on the project's grievance mechanism.
3. Status related to **labor and working conditions (PS2)**. This may include changes in the client's human resources policy; communications and engagement with workers; status of collective bargaining and workers' associations; issues related to Occupational Health and Safety; any incidents or grievances related to discrimination or SEAH; and status of emergency response mechanisms.
4. Status related to **resource efficiency and pollution prevention (PS3)**. This may include updates and changes to ESAs and environmental management plans; reporting on monitoring of air quality and CO2 emissions as relevant; water consumption and quality; noise pollution; use and disposal of hazardous materials; and pesticide use and management.

5. Status related to **community health, safety, and security (PS4)**. This may include status of vehicle traffic plans; incidents related to traffic safety; infrastructure and equipment design and safety; potential or actual exposure of communities to hazardous materials; project impacts on priority ecosystem services that may result in health and safety risks to local communities; community exposure to disease including waterborne and vector-borne diseases, and communicable diseases resulting from project activities; community emergency preparedness and response; and responsible use of security personnel.
6. Status related to **land acquisition and involuntary resettlement (PS5)**. This may include reporting on status of land valuation and compensation; livelihood restoration; confirmation that no forced eviction has taken place; evidence of improved living conditions among physically displaced persons; status of support to different occupants of land under different tenure systems (e.g., titleholders, community property, usufruct rights, and informal occupancy); evidence of how displacement has been avoided or minimized in civil works design and implementation; community engagement status; update on resettlement-related concerns and complaints in the project's grievance mechanism; and client actions in cases where government has acquired land for project purposes.
7. Status related to **biodiversity conservation and sustainable management of living natural resources (PS6)**. This may include information on biological monitoring and status of any biodiversity-related plan under implementation; status of provisioning, regulating, cultural, or supporting ecosystem services under the project; confirmation that offsets are only being used as a last resort and that there is evidence of no net loss and preferably net gain of biodiversity; that any conversion or degradation of natural habitats follows the requirements in PS6, including the requirement of net positive gain in relation to critical natural habitats; status related to invasive or alien species; sustainable management of living natural resources including forestry and animal husbandry; and confirmation that activities in the primary supply chain of primary production materials do not contribute to significant conversion of natural and/or critical habitats.
8. Status related to **Indigenous Peoples (PS7)**. This may include information on the presence of Indigenous Peoples and project activities that may affect or involve them; confirmation that the engagement process is based on informed consultation and participation (ICP); status of activities and engagement that may require FPIC; status of implementation of Indigenous Peoples Plans or Frameworks as relevant; and confirmation of culturally appropriate project benefits and respect for Indigenous Peoples' human rights.
9. Status related to **cultural heritage (PS8)**. This may include information on how tangible and intangible cultural heritage is protect in the project's activities; updates on chance finds procedures; community consultation and access to cultural heritage; and how the project will remove replicable and non-replicable cultural heritage if required.