**environmental AND social management framework (ESMF)**

for

Eastern Caribbean

Partial Credit Guarantee Corporation

oecs msme gUARANTEE FACILITY (P157715)

|  |
| --- |
| ABBREVIATIONS AND ACRONYMS |
|  |

|  |  |
| --- | --- |
| BOT | British Overseas Territory  |
| BVI | British Virgin Islands |
| CBI | Citizenship-by-Investment |
| CDB | Caribbean Development Bank  |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CPF | Country Partnership Framework |
| DB | Doing Business |
| ES | Enterprise Survey |
| E&S | Environmental and Social |
| ECAMC | Eastern Caribbean Asset Management Company |
| ECCB | Eastern Caribbean Central Bank |
| ECCU | Eastern Caribbean Currency Union |
| ECPCGC | Eastern Caribbean Partial Credit Guarantee Corporation |
| ESMF | Environmental and Social Management Framework |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| GRS | Grievance Redress Service |
| ICP | Informed Consultation and Participation  |
| IPP | Indigenous Peoples Plan |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IFI | International Financial Institution |
| KC | Kalinago Community |
| KT | Kalinago Territory |
| IMF | International Monetary Fund |
| MC | Monetary Council |
| MSME | Micro, Small, and Medium Sized Enterprise |
| NBFI | Non-bank Financial Institution |
| NPL | Non-Performing Loan |
| OECS | Organisation of Eastern Caribbean States |
| OM | Operations Manual |
| PCU | Project Coordination Unit |
| PCG | Partial Credit Guarantee |
| PL | Participating Lender |
| RPS | Regional Partnership Strategy |
| WBG | World Bank Group |

OECS MSME GUARANTEE FACILITY

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

Table of Contents

[A. Executive Summary 4](#_Toc497923348)

[C. Introduction 5](#_Toc497923349)

[D. Environmental and Social Risks and Impacts 6](#_Toc497923350)

[E. Environmental and Social Requirements 9](#_Toc497923351)

[E. Project Environmental and Social Management 13](#_Toc497923352)

[Annex 1: Environmental Procedures 14](#_Toc497923353)

[Annex 2: Pest Management Plan (PMP) Guidelines 26](#_Toc497923354)

[Annex 3: Consultations on Draft ESMF 29](#_Toc497923355)

OECS MSME GUARANTEE FACILITY

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

A. Executive Summary

The key environmental and social risks of this project stem from the potential poor MSME compliance with national laws and regulations. For the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC), the key steps to address these risks include screening of MSMEs for Environmental and Social (E&S) compliance, provision of regulatory liaison and technical guidance, inclusion of E&S requirements in guarantee and participation agreements, and periodic supervision, auditing, and reporting.

**B. Statement of Policy and Purpose**

ECPCGC will take steps to mitigate any issues related to environmental or social issues prior to approving a loan guarantee. The World Bank takes its responsibility to finance environmentally responsive projects very seriously. Projects receiving ECPCGC assistance must abide by all local environmental laws as well as meet the World Banks requirements for proper environmental stewardship. This includes avoiding the use of any banned chemicals and ensuring that all environmental safeguards required for a particular type of business are in place and functioning. The environmental questionnaire that is part of the application process must be completed. The questionnaire is designed to automatically ask follow up questions as necessary. A full discussion of environmental requirements and the questions for the questionnaire are included in Annex 1 of this ESMF.

The ECPCGC aims to ensure that program proceeds will not be used for any activity that could harm the environment or harm people. To that end, ECPCGC is committed to:

* Environmental support in all areas of its operations;
* Continuously improve our environmental performance through an Environmental and Social Management System (ESMS);
* Ensure environmentally and socially responsible financial investment and development;
* Foster environmental and social due diligence within Participating Lenders (PLs);
* Mainstream the ESMS into risk management protocols;
* Ensure Compliance with relevant laws, regulations and standards within host countries;
* Promote the ESMS among all PLs through training and awareness programs;
* Protecting indigenous populations and their cultural heritage;
* Preventing the sale of land other than in willing buyer-willing seller transactions at the market price;
* Supporting transactions that do not adversely affect vulnerable people and underserved groups (e.g., elderly poor pensioners, physically challenged, women, particularly head of households or widows, etc.) living in the area;

ECPCGC, as well as the PLs, must follow the MSME application processing procedures, credit documentation, and the administration, evaluation and reporting procedures below. As part of their risk management activities, the PLs will actively engage with MSMEs through the due-diligence and liaison process. ECPCGC shall take reasonable efforts to provide technical support, as needed, to the PL in the implementation of its environmental risk procedure.

C. Introduction and Background

The World Bank Group (WBG) Strategy sets out the corporate goals of ending extreme poverty and promoting shared prosperity in all its partner countries. Securing the long-term future of the planet, its people and its resources, ensuring social inclusion, and limiting the economic burdens on future generations will underpin these efforts. The two goals emphasize the importance of economic growth, inclusion and sustainability – including strong concerns for equity.

The WB is globally committed to environmental sustainability, including stronger collective action to support climate change mitigation and adaptation, recognizing this as essential in a world of finite natural resources. Equally, social development and inclusion are critical for all of the World Bank’s development interventions and for achieving sustainable development. For the Bank, inclusion means empowering all people to participate in, and benefit from, the development process. Inclusion encompasses policies to promote equality and non-discrimination by improving the access of all people, including the poor and disadvantaged, to services and benefits such as education, health, social protection, infrastructure, affordable energy, employment, financial services and productive assets.

The Environmental and Social Management Framework (ESMF) is an instrument that helps PLs and MSMEs in OECS to identify appropriate methods and tools to assess and manage the potential environmental and social risks and impacts of the project.

The ECPCGC, as implementing entity, will be responsible to ensure that PLs and MSMEs carry out the Project with due diligence and efficiency in compliance with all requirements pertaining to environmental and social protection applicable under national laws and regulations, and the ESMF.

**Project Description**

The proposed development objective is to facilitate additional financial intermediation for MSMEs by establishing a regional partial guarantee corporation. The main Project beneficiaries will be: (i) MSME and (ii) lenders in the ECCU. The definition of MSMEs for this Project was developed in consultation with the ECCU Member States and is in the ECPCGC Agreement. There is no other regionally accepted definition of MSMEs. Lenders will also receive training through the Project on MSME lending and therefore are also beneficiaries. The lenders include any regulated lender in the ECCU. This includes credit unions, development banks and commercial banks. The PDO-level indicators are: (i) number of guaranteed loans;and (ii) total amount of outstanding guaranteed loans through the Project.

The project proposes two main components: (i) capitalize the partial credit guarantee fund and (ii) project management, operating costs and lender training.

**Component 1: capitalize the partial credit guarantee fund (US$ 8.2 million)**. Under this component, the Project will be able to expand financial access to MSMEs through the issue of partial credit guarantees to eligible lenders. A substantial amount of work has been put into the design of the Corporation – there is the overarching legal ECPCGC Agreement, the operational manual has been prepared and a financial model has also been developed. As such, a large portion of the cost of the design has already been borne. As the Monetary Council of the ECCB has approved the ECPCGC Agreement, the main outstanding task is the capitalization of the fund.

**Component 2: project management, operating costs, and lender training (US$ 1.8 million)**. This component will support the ECPCGC, who is responsible for the coordination, implementation, and supervision of the Project. The Project will finance: (i) the recruitment and training of ECPCGC staff members; (ii) training of loan officers at ECCU supervised lenders; (iii) provisions for guarantee losses; (iv) equipment, software and furniture for the ECPCGC; (v) monitoring and evaluation activities; and (vi) the Project’s financial audits. A conservative approach has been taken to provision at inception for guarantee losses. For the first five-years of the Project, total expected guarantee losses are estimated to be 45 percent of the total allocated for this component.

**Project Location**

The specific locations of the individual MSMEs for which the ECPCGC will provide guarantees under the Project are not known at this time, but they could be located anywhere in the Eastern Caribbean. The type and scale of activities may vary widely across the geographic and environmental landscapes of the region. The ECPCGC is sector-neutral but MSMEs to be supported will likely include agriculture and agro-processing, small scale light manufacturing, construction and real estate development, tourism, and business services, based on experience in the region.

D. Environmental and Social Risks and Impacts

**Potential Environmental and Social Risks and Impacts, and Mitigation Measures**

The degree or magnitude of potential **Environmental and Social (E&S) Risk** is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence. Specific E&S **risks** may be present from a variety of factors such as the issues associated with a client or investee’s operations, the industry sector, the regulatory climate, and the geographic context**. E&S Impacts** refer to any change, potential or actual, to: (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the project activity to be supported, all of which can negatively affect the performance of the client or investee as well as the reputation of the lender. E&S impacts typically include environmental pollution, hazards to human health, safety, and security, impacts to communities, and threats to a region’s biodiversity and cultural heritage. **E&SMitigation Measures** refer to the suite of actions that can be undertaken to minimize exposure to risk and manage negative impacts before they become significant or result in an adverse outcome.[[1]](#footnote-1)

The degree of potential risk, specific E&S risks and impacts, and mitigation measures are summarized in the table below in the context of the ECPCGC.

|  |
| --- |
| **Potential E&S Risks, Impacts, and Mitigation Measures of the ECPCGC** |
| Risks | Failure to comply with the permitting system in OECS countries, which exposes MSMEs and their lenders to regulatory sanctions; poor MSME practice in the control of emissions and waste; poor MSME planning for effects on historical or cultural assets, traffic patterns, community safety, labour health and welfare; credit risks for lenders, associated liability, and reputation of lenders. |
| Impacts | Closure of MSMEs, fines or delays, escalation of costs for production, increased insurance cost; environmental pollution, loss of biodiversity or cultural resources; damage to cultural resources; reduced community safety, accidents and injuries to workers; liability of MSME and lender; damaged reputation of MSME and lender from media coverage, citizen campaigns, government investigations. |
| Mitigation Measures | PLs to screen MSMEs for E&S compliance and performance to verify eligibility; ECPCGC to provide liaison and guidance for regulatory and technical issues; ensure guarantee agreements include E&S requirements; periodically supervise and report. MSMEs to certify accurate information in applications; commit to compliance and good performance; report periodically on E&S matters.  |

**Requirements for PLs and MSMEs**

In general terms MSMEs will be required to conform to requirements forE&S performance, and PLs will need to effectively screen the MSMEs, verify their eligibility for the ECPCGC, and ensure that the ESMS requirements are clearly included in the guarantee agreements. The ESMS requirements should be incorporated into the guarantee agreements with PLs, who will need to periodically report to ECPCGC on the status of their E&S management efforts. ECPCGC in turn will ensure that the PLs conform to relevant ESMS requirements.

For PLs requesting to participate in the Guarantee, ECPCGC shall ensure that the PL will follow an adequate environmental risk management procedure for MSME financing. The ECPCGC shall require that: (i) the PL implements the agreed upon environmental risk management procedure, (ii) the PL includes in the financing agreement with each MSME the environmental requirements as established from the implementation of the environmental risk procedure, (iii) the PL undertakes appropriate administrative actions commensurate with the level of risk for the MSME investments, (iv) the PL promptly informs ECPCGC of any significant environmental issues or regulatory non-compliance occur with a MSME financed, and (v) the PL provides ECPCGC with an annual report on its implementation of the environmental risk procedure. Upon execution of the agreement, the PL shall inform ECPCGC of the person designated as responsible for the environmental related aspects. If ECPCGC identifies issues related to the PL implementation of the environmental requirements, then ECPCGC shall work with the PL to define appropriate corrective actions. ECPCGC shall take reasonable efforts to provide technical support, as needed, to the PL in its implementation of its environmental risk procedure.

MSMEs also have responsibilities for E&S compliance. They need to provide evidence that they have acquired and keep in force the relevant license or permit, if required. ECPCGC and the PLs may also provide technical guidance to MSMEs, such as WBG EHS Guidelines or good practice documents. The objective is to help MSMEs move beyond compliance and on to cleaner production and improved environmental sustainability that would help reduce costs (e.g., due to use of less water and energy, generation of less wastes, higher efficiencies) and also help prevent any future potential environmental problems. These will be made available to MSMEs and may also create MSME financing opportunities should an MSME desire financing to move to cleaner, environmentally friendly, and more sustainable production, for example to attract international investors or enter new markets.

**Supervision by ECPCGC**

ECPCGC, as a five-person operation, will rely on expert consultants to assist with environmental and social issues. The annual budget has a line item for Environmental and Social Safeguards Consultants and is funded. Outreach to PLs and MSMEs will also be provided under this component with the assistance of the consultant.

The ECPCGC CEO will handle any grievances that are submitted to the firm. A Grievance Redress Mechanism to register, track, address and resolve any complaints or related issues will be developed. All complaints or related issues can be sent to the CEO by email or communicated by telephone. Reported issues should include a name, date and contact information with a detailed description of the case. All reported cases will be logged by the ECPCGC and directed to the appropriate personnel. There will be a normal response time of 7 days for each case, however high-level cases may require up to 14 or more days for a response. The CEO will direct the matter to the attention of the World Bank representatives where necessary. The ECPCGC will maintain a Data Base to log all complaints and to track each from date received to date resolved and highlight how each case was resolved.

**Screening & Environmental Management Procedures**

The ECPCGC and PLs will use screening and management protocols to reduce E&S risk. The procedures are applicable to MSMEs from a variety of sectors, and have been applied to Caribbean businesses in agriculture, agro-processing, health services, tourism, retail, and light manufacturing. The ECPCGC protocols include technical assistance with OECS permitting systems, and technical assistance and guidance with the control of emissions and waste. The MSME screening and processing procedure involves the following six general steps:

* Compare to Exclusion List
* Check Local Permits
* Assign E&S Risk Category
* Additional Investigation (optional)
* Prepare Guarantee Documentation
* Administration, Evaluation, & Reporting

The Application procedures will follow a set of steps which are designed to ensure that environmental considerations are taken into account, for which the applicable steps must be completed and approved as part of the application process. The forms and procedures can be made available on-line to facilitate the application process.

Annex 1 contains details and guidelines on the screening and management procedures.

**Training**

Component 2 includes capacity building and technical assistance. With World Bank assistance, ECPCGC will identify and implement appropriate training on environmental risk management for PLs and periodically for MSMEs.

ECPCGC and PLs may also provide technical guidance to MSMEs, such as WBG EHS Guidelines or good practice documents. The objective is to help MSMEs move beyond the minimum bar of compliance to realizing cleaner production and improved environmental sustainability that would help reduce costs (e.g., due to use of less water and energy, generation of less wastes, etc.) and potential environmental problems. These are made available to MSMEs and may also create MSME financing opportunities should an MSME desire financing to move to cleaner and environmentally more sustainable production.

E. Environmental and Social Requirements

The environmental and social requirements applicable to the Project include:

* Environmental, health and safety laws and regulations in each OECS country
* World Bank Safeguards Policies
* World Bank Group Environment Health and Safety Guidelines (WBG EHS Guidelines) for general and sector specific activities.

**OECS Country-Specific Environmental Regulatory Requirements**

Loans Guaranteed by ECPCGC will be subject to national environmental, health and safety regulatory requirements in each host country. Most OECS countries utilize environmental laws stemming from their Physical Planning Departments, in concert with a permit and license system. This mechanism is intended to ensure that all facilities and development projects meet the relevant standards and procedures to minimize adverse environmental impacts during construction and operation of a facility. Permits are typically required by persons undertaking new development which falls within a prescribed category. Part of the screening and verification process is to ensure that any national and local permits, if required, are in place by the applicant MSME.

**World Bank Safeguards**

There are ten World Bank Safeguards Policies[[2]](#footnote-2) as follows:

1. Environmental Assessment OP/BP 4.01
2. Natural Habitats OP/BP 4.04
3. Forests OP/BP 4.36
4. Pest Management OP 4.09
5. Physical Cultural Resources OP/BP 4.11
6. Indigenous Peoples OP/BP 4.10
7. Involuntary Resettlement OP/BP 4.12
8. Safety of Dams OP/BP 4.37
9. Projects on International Waterways OP/BP 7.50
10. Projects in Disputed Areas OP/BP 7.60

The OECS MSME PCG project triggers 6 of the 10 safeguard policies, as detailed below.

**Environmental Assessment (OP/BP 4.01)**

The project triggers Safeguards Policy **OP/BP 4.01 (Environmental Assessment)** given the potential for negative environmental and social impacts. The Project is classified as **Category FI** per OP/BP4.01.

The specific individual MSME projects to be financed under the Project will not be known until after Project approval; however, regional experience suggests that agriculture and agroprocessing, small scale light manufacturing, construction and real estate development, tourism, and business services, will be priorities. High-risk (Category A) MSMEs as well as those on the IFC Exclusion List will be screened out, so that the potential environmental impacts associated with the likely (presently anticipated) type of MSMEs to be engaged should be relatively minor to moderate, and should not involve significant environmental impacts, and with appropriate standard mitigation measures the potential negative impacts should be managed appropriately. An ESMF has been developed to manage the potential associated environmental and social impacts and risks, to establish requirements both at the ECPCGC Facility level and at the PL and MSME levels. Additional screening/exclusion criteria are included in the ESMF to identify any project that would trigger an additional Safeguards Policy or a defined high risk sectors. The ESMF does not exclude these project types but does require that the ECPCCG facility or individual PLs would have to perform the additional necessary due-diligence to confirm compliance with requirements, or alternatively lists some of these as financeable but requiring an adequate environmental and social impact evaluation and management by the specific MSME and an adequate level of due-diligence and supervision by the individual banks (PLs) and the ECPCGC commensurate with the level of project-specific MSME risk.

The ESMF outlines measures to protect workers and promote safe and healthy working conditions in line with this Policy related to MSMEs financed, the ECPCGC Facility and the PLs. In addition, the types of MSME activities that presently are anticipated to receive a guarantee are not expected to have significant community safety issues; however, the ESMF will include appropriate mechanisms for screening and impact management (e.g., related to transport/road safety, emergency response). As needed, the ESMF excludes certain project types (e.g., those involving use of security personnel, transport of significant quantities of hazardous materials) given the likelihood that the ECPCGC facility or individual banks would likely not be in a position to perform the necessary due-diligence to confirm requirements with these in line with this requirement. Finally, pollution prevention and response to accidents involving pollutant releases are addressed as part of ESMF. The expected projects associated with MSMEs are not anticipated to generate significant impacts on air quality, water quality, solid waste, and noise level, etc., but if such situations are identified then the MSME must adequately address them using World Bank EHS Guidelines, or in-country laws, whichever is more stringent.

**Pest Management (OP4.09)**

The Safeguards Policy on **Pest Management (OP4.09)** is also triggered, given the importance of agriculture to MSMEs in the OECS and the associated need for the use and purchase of pesticides. To ensure that harmful pesticides are not used, the policy requires that any pesticide it finances be manufactured, packaged, labeled, handled, stored, disposed of, and applied according to standards acceptable to the World Bank, and excludes certain formulated products, as well as requiring training, equipment, and facilities to handle, store, and apply these products properly.

Any MSME activity with significant pest management issues must prepare a separate Pest Management Plan (PMP) using the guidelines in Annex 2 of this ESMF.

**Natural Habitats (OP/BP 4.04)**

This policy strictly limits the circumstances under which any Bank-supported project can affect or alter natural habitats (land and water areas where most of the native plant and animal species are still present) as well as parks, natural areas, or other declared protected areas. Projects must avoid, minimize, restore, or offset any activities that cause degradation of natural habitat. Projects that would cause significant conversion or degradation of critical natural habitat (legally protected areas, or those with high conservation value) are not eligible for funding.

This policy has been triggered because of the prevalence of ecotourism-related MSMEs in the OECS, which can negatively affect natural habitat. Screening criteria exclude any projects that could potentially significantly affect natural habitat, protected or sensitive areas, or forest resources or their management. If identified as a concern, the MSME must provide evidence that the appropriate mechanisms for impact management are in place, through expanded due diligence by PLs and the completion of any additional safeguards studies indicated by the policy guidance.

**Forests (OP/BP 4.36).**

Projects that involve forest management or harvesting would trigger this policy. Some MSMEs expressed strong interest in projects involving the planting and harvesting of bamboo products and teak trees on private lands. If activities of MSMEs would involve changes in the management or use of forest resources, then World Bank requirements for additional assessment and/or preparation of a Forest Management Plan are referenced.

**Physical Cultural Resources (OP/BP 4.11)**

This policy seeks to avoid, or mitigate, adverse impacts on cultural resources (movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance) from development projects that the World Bank finances. For all projects, a chance-find procedure is required for all projects with earth-moving activities (excavation, trenching, grading, or plowing) to stop work and notify authorities to prevent damage or destruction of these resources if encountered. In addition, if a project may affect physical cultural resources, measures to minimize or mitigate effects must be included in an EIA or other assessment process.

**OP4.10 Indigenous Peoples**

The Banks role in designing the ECPCGC triggered World Bank Operational Manual 4.10 requirement to undertake the preparation of an Indigenous Peoples Plan Framework (IPPF)[[3]](#footnote-3) where Bank financed projects are being implemented in countries with indigenous populations. This IPPF ensures non-differentiated participation of Kalinago Territory (KT) MSMEs in the OECS PCGS, or put another way, to ensure the land tenure system in the territory which prevents MSMEs from using land as collateral to secure MSME financing does not deny KT MSMEs equal access and opportunity under the scheme when compared to non-indigenous applicants anywhere in the OECS. The IPP represents the bank’s consultancy to prepare the IPP with the indigenous peoples of the Kalinago Territory (KT) in the Commonwealth of Dominica.

Preparation of the IPP included engagement of the indigenous people and their MSMEs in bilateral and community consultations inside the KT where details about the OECS PCGS were provided to the community. In addition, bilateral consultations were had with Financial Lending Institutions and Government Support Program Stakeholders in Dominica’s SME Environment. Following these consultations, a draft IPP was prepared and reviewed by the community and the bank. Following these revisions, the IPP was finalized.

Access to finance is necessary for MSME development in the KT. The inability to use land as collateral to increase access to finance for business development places limitations upon MSMEs especially where alternative options for collateral are limited. This is a critical finding and the proposed PCG project will be designed so that all applicants from the Community are evaluated fairly given this overarching Community constraint that cannot be overcome by any single individual. In addition to the use of land as collateral constraint, the community and all other stakeholders consulted concluded that lack of business acumen and related business development capacity constraints in the KT is an equal if not larger deficit the community will have to overcome. The bank is so mindful and recognizes that the Technical Assistance footprint of the OECS SME PCGS will have to be deeper and longer in the KT.

The loan application process from a participating financial institution will contain fields to capture the community land constraint of members of the Kalinago Community that reside in the Territory. Such applicants will receive an evaluation that takes this institutional limitation (lack of individual land titles) into account by overweighing other factors – such as the strength of the business plan and the projected and current cash flows. Additionally, focused and concentrated capacity development of MSMEs in business and entrepreneurship will be required by the contracted TA provider and state support programs.

The CEO has been tasked with the responsibility of resolving any issues that arise with relation to serving businesses located in the KT.

**OP4.12 Involuntary Resettlement**

The World Bank (WB) Policy on Involuntary Resettlement, OP 4.12 will not apply to this project.  Thus, the project will not finance investments that result in direct economic and social impacts through the: (i) involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.

Any MSMEs to be financed as part of this project or at a later stage will be on MSME privately owned land or land purchased through willing-seller and willing-buyer.  For land purchases through willing-seller and willing-buyer approach, land acquisition must occur by mutual agreement in exchange for a notarized purchase contract based on the market price at the date of acquisition.

In order to ensure OP 4.12 is not triggered, OP 4.12 will be part of the exclusion list and excluded through a rigorous screening process for potential future investments. In addition, the Environment and Social Risk Management Specialist to be hired as part of the ECPCGC and PLs will receive training on OP 4.12 and the screening process.

**Other Safeguard Policies**

Screening and exclusion criteria are provided to ensure that any MSMEs or activities that would trigger any other World Bank Safeguard Policies (other than the six described above) would not be eligible for funding under the project.

These additional screening and exclusion criteria (listed in Annex 1, part II.A) would exclude any projects related to the construction or rehabilitation of dams (which could trigger the policy for Safety of Dams OP/BP 4.37). Projects affecting International Waterways (OP/BP 7.50) are also excluded as well as those in disputed areas (OP/BP 7.60).

**World Bank Group EHS Guidelines**

WBG has developed guidelines for Environment, Health and Safety (EHS) that serve as useful references for general issues as well as sector-specific activities.[[4]](#footnote-4) MSMEs can utilize these guidelines as referenced compliance standards for emissions, waste management, and good industry practice. Some OECS countries may have developed standards for many specific industrial activities, which would also apply. In the case of duplication of compliance standards, the more stringent shall apply. In general the WBG EHS Guidelines are applied to more complex projects with potentially significant emissions, discharges, or other environmental issues.

E. Project Environmental and Social Management

Lenders must have the capacity to use the questionnaire provided by the ECPCGC to determine if an MSME client meets World Bank requirements regarding environmental and social responsibilities. The intent is to leverage the lender’s existing environmental review process to develop the information necessary for the questionnaire.

It is important that the operations of businesses assisted by the ECPCGC do not harm the environment or affect social aspects negatively. The restrictions on the types of businesses that are eligible address most environmental issues. ECPCGC should be contacted prior to submission of an application if the lender has any questions regarding whether a particular loan meets the environmental criteria.

ECPCGC is willing to provide a decision prior to undertaking the expense of an environmental review. In such cases, ECPCGC will either determine an application will be declined or will provide a conditional approval, based on the results of the environment review.

All social requirements of businesses must be current at the time of application. Loans may not be disbursed if a business is not current on its obligations to the government. The final step for the Credit Officer is to write up a Loan Officer’s Report containing basic facts about the case and the recommendation by the Credit Officer. The report should also contain a justification for reaching the proposed recommendation and any special loan conditions that the Credit Officer thinks are appropriate for the application.

Social safeguards also include ensuring the protection of the cultural heritage of all residents of the OECS as well as making sure that projects financed do not treat people unfairly. An example of unfair treatment would be the forced sale of land at other than a market price. There is additional information regarding social safeguards in Annex V.

**Implementing Agency**

ECPCGC, as a five-person operation, will rely on expert consultants to assist with environmental and social issues. The annual budget has a line item for Environmental and Social Safeguards Consultants and is funded. Outreach to PLs and MSMEs will also be provided with the assistance of the consultant.

The ECPCGC will grow to a total of five people, and safeguards will rely on a Risk Management Specialist with E&S expertise who may be contracted. This is proportionate to their needs and to maintain costs at a low level for a new institution, excepting the first year when E&S training will be prioritized to ensure that PLs have adequate screening, documentation and reporting protocols in place consistent with the ESMF requirements.

# Annex 1: Environmental Procedures

The ECPCGC and PLs will use screening and management protocols to reduce E&S risk. The procedures are applicable to MSMEs from a variety of sectors, and have been applied to Caribbean businesses in agriculture, agroprocessing, health services, tourism, retail, and light manufacturing. The ECPCGC protocols include technical assistance with OECS permitting systems, and technical assistance and guidance with the control of emissions and waste. The MSME screening and processing procedure involves the following five general steps:

* Compare to Exclusion List
* Check Permit status
* Assign E&S Risk Category
* Additional Investigation (optional)
* Prepare Guarantee Documentation
* Administration, Evaluation, & Reporting

The Application procedures will follow a set of steps which are designed to ensure that environmental considerations are taken into account. The steps are summarized in Figure 1, below, for which the applicable steps must be completed and approved as part of the application process. The forms and procedures can be made available on-line to facilitate the application process.

**Steps in the MSME Application Process**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Step** | **Activity** | **Performed by:** | **Timeline** | **Verified by:** |
| 1 | Compare to Exclusion List | PL | 1 day | ECPCGC |
| 2 | Check permit status | PL | 7 days | ECPCGC |
| 3 | Assign E&S Risk Category | PL | 7 days | ECPCGC |
| 4 | Additional Investigation (optional) | PL/Consultant | Varies by risk category | ECPCGC |
| 5 | Prepare Guarantee Documentation | PL | 14 days | ECPCGC |
| 6 | Administration, Evaluation & Reporting | PL | Quarterly/Annually | ECPCGC & WBG |



**Step 1 – Compare to Exclusion List**

The following project activities are not eligible for financing because they would either trigger additional Safeguards Policies or contravene the safeguards parameters of the program with World Bank by triggering additional policies; or, because they are listed on the World Bank Group Exclusion List.

Activities excluded due to additional policy triggers:

* Projects that would be classified as Category A (Very High Risk) under the World Bank OP/BP 4.01
* Projects that would involve conversion or degradation of critical natural habitats
* Projects that would directly or indirectly involve the construction of a dam greater than 10 meters in height or the use of water from a dam greater than 10 meters in height
* Projects on international waterways (in Jamaica, any bay, gulf, strait, or channel recognized as a necessary channel of communication between the open sea and other states).’
* Land acquisition that would involve involuntary resettlement or land acquisition [[5]](#footnote-5)

Activities excluded due to WBG Exclusion List:

* Those that are illegal under country laws, regulations or ratified international conventions and agreements
* Weapons and munitions
* Alcoholic beverages (excluding wine and beer)[[6]](#footnote-6)
* Tobacco[[7]](#footnote-7)
* Gambling, casinos and equivalent enterprises[[8]](#footnote-8)
* Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)[[9]](#footnote-9)
* Radioactive materials[[10]](#footnote-10) or unbounded asbestos fibers[[11]](#footnote-11)
* Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest[[12]](#footnote-12)
* Polychlorinated biphenyl compounds (PCBs, a class of synthetic organic chemicals)
* Pharmaceuticals subject to international phase outs or bans[[13]](#footnote-13)
* Pesticides/herbicides subject to international phase outs or bans[[14]](#footnote-14)
* Ozone depleting substances subject to international phase out[[15]](#footnote-15)
* Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
* Transboundary trade in waste or waste products[[16]](#footnote-16), except for non-hazardous waste destined for recycling
* Persistent Organic Pollutants (POPs)[[17]](#footnote-17)
* Non-compliance with workers fundamental principles and rights at work[[18]](#footnote-18)
* Significant degradation of a National Park or similar protected area[[19]](#footnote-19)
* Real estate speculation

If any of the MSME activities fall under the above list, then they are not eligible to participate in the ECPCGC because they are either illegal or represent unacceptably high E&S risk.

**Step 2 – Check Local Permit Status**

Most OECS countries utilize environmental laws stemming from their Physical Planning Departments, in concert with a permit and license system. This mechanism is intended to ensure that all facilities and development projects meet the relevant standards and procedures to minimize adverse environmental impacts during construction and operation of a facility. Permits are typically required by persons undertaking new development which falls within a prescribed category. Part of the screening and verification process is to ensure that any national and local permits, if required, are in place by the applicant MSME.

A list of activities requiring Environmental Licenses or Permits can be obtained from the Physical Planning Departments in each host country. In cases of questions an enquiry can be made to provide a determination of whether or not a License or Permit is needed. The list below is intended to assist PLs in their screening of whether or not a Permit would be required by a particular MSME applicant and is adapted from Physical Planning Department’s listing in certain OECS countries. An example from Grenada’s (2002) Physical Planning and Development Control Act, Part 4 section 25(2) follows:

1. Hotels of more than 50 rooms
2. Sub-divisions of more than 10 lots
3. Residential development of more than 25 units
4. Any industrial plant which in the opinion of the Authority is likely to cause significant adverse environmental impact
5. Quarrying and other mining activities
6. Marinas
7. Land reclamation, dredging and filling of ponds
8. Airports, ports and harbors
9. Dams and reservoirs
10. Hydro-electric projects and power plants
11. Desalination plants
12. Water purification plants
13. Sanitary landfill operations, solid waste disposal sites, toxic waste disposal sites and other similar sites
14. Gas pipeline installations
15. Any development generating or potentially generating emissions, aqueous effluent, solid waste, noise, vibration or radioactive discharges
16. Any development involving the storage and use of hazardous materials
17. Any coastal zone development
18. Any development in wetlands, marine parks conservation areas, environmental protection areas or other sensitive environmental areas.

Note that prescriptive lists will vary from OECS country to country, so the PL must check with the Physical Planning Department or relevant authority.

Parish authorities will also require building and/or zoning permits for projects which change land use, emissions, or require construction. The Applicant must provide any relevant business license or other required permit to demonstrate that they are in compliance with the applicable Parish regulations.

The Applicant should attach evidence of any existing Environmental Permit or License, business license, or other relevant documentation that the Applicant is in compliance with country law. In most cases it is expected that the applicant’s current Permit status is current and no updating, renewal, or new permitting is required. However, in some cases a Permit may be required but has not been obtained or is not current; and in such case the PL shall require evidence that such applicants have begun that process in good faith. Such evidence may include the filing of a project brief or conceptual plan, the filing of a Permit Application, or a Compliance Plan filed with the relevant authority.

**Step 3 – Assign E&S Risk Category**

Up to two forms are required to be completed in order to determine the E&S Risk Category of the MSME. The “Tier 1” form identifies Low-Risk MSMEs, and the “Tier 2” form discriminates between Medium- and High-Risk MSMEs.

With assistance and information from the MSME, the PL will prepare the following “Tier 1” E&S Information Form. The “Tier 1” Form must be completed for every EDGC application. The MSME must review, accept, and certify the information in the “Tier 1” E&S Information Form as True, Complete and Correct. **Failure to provide accurate information may result in denial of claims by the ECPCGC.**

**Tier 1 E&S Information Form**

|  |  |  |  |
| --- | --- | --- | --- |
| **Query** | **Yes** | **No** | **Not Known** |
| 1. Does the MSME need a License or Permit under national law? and if so, is the License or Permit expired, out-of-date, in bad standing, or revoked? |  |  |  |
| 2. Does the MSME have outstanding fines, fees, penalties, claims, or actions? |  |  |  |
| 3. Is the MSME property contaminated with drums, pits, stockpiled chemicals? or does the property have spills, stained soils, dead vegetation, polluted waterways, or other evidence of contamination or pollution? |  |  |  |
| 4. Are there media reports or complaints from the public, the local community, or NGOs about the MSME’s activities (current or proposed)?  |  |  |  |
| 5. Does the MSME have emissions to the atmosphere (dust, odors, fumes) or significant emissions of noise? |  |  |  |
| 6. Does the MSME have discharges to waterways (streams, ponds, wetlands)? |  |  |  |
| 7. Is the MSME located in a natural area (forest, park, Government Reserve) near a protected area, or in an area with well-preserved vegetation? |  |  |  |
| 8. Will the MSME affect coastal or marine areas (seagrass, reefs) or involve aquaculture, fishing, or harvesting of sea resources? |  |  |  |
| 9. Does the MSME store, produce, or use hazardous materials (explosive or flammable gas, pesticides or herbicides, or toxic or reactive substances)? |  |  |  |
| 10. Will the MSME affect areas of known local, national or regional cultural or heritage resources (historic structures, antiquities, or landmarks)? |  |  |  |
| 11. Could the MSME activities (current or proposed) significantly affect traffic, noise, or public safety, particularly near schools, hospitals, or sensitive zones? |  |  |  |
| 12. Does the MSME violate national law or good practice for occupational health and safety, industrial hygiene, and employee well-being? |  |  |  |
| 13. Has the MSME been involved with any significant accidents, incidents, fatalities, or worker health and safety problems in the last three years? |  |  |  |
| 14. Will the MSME activities (current or proposed) require land acquisition (other than willing buyer-seller at market price), reduce other people’s access to economic resources (land, water, pasture, crops) upon which they rely, require taking of crops or temporary occupation of lands, or evict squatters? |  |  |  |
| 15. Might the MSME adversely affect vulnerable people and underserved groups (e.g., elderly poor pensioners, physically challenged, women, particularly head of households or widows, etc.) living in the area?  |  |  |  |
| 16. Will the activity rely on local labor or require significant labor influx and how much?  |  |  |  |
| 17. Does the MSME require construction or reliance upon a dam or reservoir higher than 10 meters, or affect rivers or water bodies between countries? |  |  |  |
| 18. Is the project being financed located in the Kalinago Territory?  |  |  |  |

If the response to each of the queries in the “Tier 1 E&S Information Form” is negative, then the MSME is automatically considered as **Low Risk** and no further assessment is needed. In these cases the Application moves directly to Step 4.

If any of the responses to queries 1 through 12 are in the affirmative, then the MSME is either **Medium-Risk** or **High-Risk**, and the Application moves forward to the “Tier 2” questionnaire, below. If any of the responses are “Not Known” then the PL must further investigate with the MSME, either through an informal query process or by advancing the Application to Step 3.

If the response to items 14, 15, 16 or 17 is in the affirmative, then the MSME is considered ineligible due to excessive E&S risk and participation with ECPCGC is automatically rejected.

If the answer to question 18 is yes, seek additional guidance from the ECPCGC regarding funding loans in the Kalinago Territory as more attention will be placed on cash flows and an assessment will be made as to impact of the loan application from the lack of individual property ownership in the Kalinago Territory

**Tier 2 E&S Information Form**

|  |  |  |  |
| --- | --- | --- | --- |
| **Query** | **Yes** | **No**  | **Not Applicable** |
| 1. Does the MSME engage in work in the following sectors: Large-scale agriculture Mining or Quarrying Chemical processing Waste management (solid or liquid) Oil and gas processing, storage, transportation, or sale Civil works and infrastructure (water supply, roads, electricity) Development or conversion of previously undeveloped land Fishing, aquaculture, or silviculture Manufacturing of textiles, leather, metals, or plastics Other “high risk” sectors (see guidance notes)[[20]](#footnote-20)  |  |  |  |
| 2. If the MSME has emissions to the air or atmosphere (dust, odors, fumes), are the concentrations and volumes monitored and measured, and do they meet national standards and WBG EHS Guidelines? |  |  |  |
| 3. If the MSME has noise emissions, are the levels measured and do they meet national standards and WBG EHS Guidelines? |  |  |  |
| 4. If the MSME has discharges to waterways (streams, ponds, wetlands), are the discharges monitored and measured, and do they meet national standards and WBG EHS Guidelines? |  |  |  |
| 5. If the MSME will use pesticides or herbicides, is there a Pest Management Plan in conformance with WBG guidelines (see section IV.C)? |  |  |  |
| 6. If the MSME located in a natural area (forest, park, Government Reserve) near a protected area, or in an area with well-preserved vegetation, is there an assessment of any potential impacts, or other convincing evidence (reports, studies, or EIA for Permit) that negative impacts will not occur? |  |  |  |
| 7. If the MSME may affect coastal or marine areas (seagrass, reefs) or involve aquaculture, fishing, or harvesting of sea resources, is there an assessment of any potential impacts, or other convincing evidence (reports, studies, or EIA for Permit) that negative impacts will not occur? |  |  |  |
| 8. If the MSME may affect areas of known local, national or regional cultural or heritage resources (historic structures, antiquities, or landmarks), is there an assessment of any potential impacts, or other convincing evidence (reports, studies, or EIA for Permit) that negative impacts will not occur? |  |  |  |

If the response to any item in Query 1 is affirmative, or if the response to any of Queries 2-8 is negative then the MSME is automatically considered **High-Risk.** If responses to Query 1 are negative, and responses to Queries 2-8 are positive or not applicable, then the MSME is considered **Medium-Risk**.

MSMEs deemed Medium-Risk may be subject to additional assessment or investigation as appropriate, in the judgment of the ECPCGC Officer. All MSMEs deemed High-Risk must be subject to an additional assessment, as described in Step 3 below.

Note that the assignment of E&S Risk Categories using Tier 1 and 2 forms is subjective and will require the use of professional judgment by the ECPCGC Officer, who may elect to seek supporting or expert opinion as is deemed necessary or appropriate on a case by case basis. ECPCGC may adjust the questions and logic for risk assignment from time to time based on experience and judgment, taking into account such factors as scale of the enterprise, location in or near protected areas or other sensitive areas, complaints or violations noted, or other information in the screening forms.

**Step 4 – Additional Investigation (Optional)**

If a guarantee application should involve any factors that may represent potential significant or material environmental or social risks, as determined from Step 2 above, then additional investigation is warranted by ECPCGC and/or participating PLs. This may apply to a Medium-Risk MSME, and will always apply to a High-Risk MSME. Additional investigation may be limited to the review of additional information, plans, studies, permits or assessments; and, it may also include or, a site visit, audit, facility inspection, or other physical review. Given the geography of the OECS it is expected that local PLs may contract independent third-party specialists to conduct such reviews in many cases.

Additional assessment studies (EIA, Audits, Permit requirements, Pest Management Plans, or other documents) may also be provided by the MSME as evidence of good practice, compliance, or satisfactory resolution of any E&S issues identified in Tier 2 screening.

A site visit, audit, or inspection will help assess the state of the company operations, in particular housekeeping, worker health­­­ and safety, and environmental, health and safety, and human resources management issues. Site visits must be made to all companies where the E&S Risk Status has been deemed as High-Risk. A site visit checklist should be used in conjunction with the relevant and applicable WBG EHS Guidelines (general and sectors) with equivalent or supporting information from other sources (e.g. ESAT, EBRD or FMO checklists or fact sheets, available from the previously referenced websites).

The results of the additional investigation can then be used to inform and revise the final determination of E&S Risk Status. The ECPCGC Officer will assign a final category of Medium-Risk or High-Risk based on experience and judgment, as well as expert advice where needed.

As a result of the additional investigations, there may be recommendations for E&S actions, special conditions such as updating a monitoring plan, or other requirements to improve MSME performance, update compliance status, or otherwise reduce E&S risk. In these cases the PLs and/or ECPCGC will include these recommendations in the guarantee documentation, and require periodic reporting on these recommendations or special conditions. This will normally be the case for High-Risk MSMEs which have complex or sensitive E&S situations.

**Step 5 - Documentation**

Following the evaluation and documentation of E&S risk, PLs are in a position to accept the MSME’s participation in the ECPCGC, subject to conditions that will describe measures being taken to control the risk, or to reject the MSME’s participation due to unacceptably high E&S risk.

The outcome of the environmental and social risk evaluation is summarized and included in the documentation submitted in the approval package, as follows:

* MSMEs deemed Low-Risk will only require the use of standard, general conditions.
* MSMEs deemed Medium-Risk will require the standard, general conditions, and any special requirements if deemed necessary by the ECPCGC and/or PL.
* MSMEs deemed High-Risk will require the standard, general conditions, as well as all of the actions, monitoring plans, permit updates, periodic audits, and other necessary information from the additional investigation conducted after the Tier 2 appraisal.

The standard language relative to environmental and social matters appears below and will be included in all guarantee documentation, as general conditions for participation in the ECPCGC. The ECPCGC and/or PL may adjust the language of the conditions as deemed necessary or appropriate, using subjective judgment and professional experience, calling upon the advice of peers or third parties as deemed prudent. Additional conditions will be written by the ECPCGC and/or PL Officer on a case by case basis, taking into account the regulatory requirements, findings of the site visit, or other information. Reporting by the MSMEs shall also include updates and status reports on any of the relevant or special conditions described herein.

*Representations and Warranties*

(i) the Participant’s operations and activities are in compliance with all applicable environmental, health and safety regulatory requirements; (ii) the Participant’s operations and activities do not involve any activity included in the List of Excluded Activities; and (iii) with respect to the Participant’s operations and activities, to the best of its knowledge and belief after due-inquiry, there are no substantial or material liabilities, claims or unmitigated risks to the Participant’s employees, buildings or offices, or assets due to environmental, occupational health and safety or labour related issues.

***Covenants***

The MSME shall:

1. Maintain all operations and activities in compliance with all applicable Jamaica environmental, health and safety regulatory requirements, including laws, regulations and applicable permits/authorizations;
2. Ensure that all required permits are obtained and in force through the life of the agreement
3. Not undertake any operation or activity included in the List of Excluded Activities;
4. Ensure that potentially adverse project-related environmental effects, from wastewater effluent, surface drainage and air emissions, and any other potential damage to the natural environmental, are adequately and mitigated.
5. With respect to the MSME’s employees, buildings and offices, and assets, take all reasonable and prudent actions to avoid substantial or material liabilities, claims or unmitigated risks due to environmental, occupational health and safety or labour related issues, and if such event does occur, take the appropriate and reasonable actions to adequately resolve and mitigate such liability, claim or risk.
6. Ensure that appropriate health and safety and environmental protection measures, are being used in connection with the implementation and operation of the facilities
7. Promptly notify the Lender of any incident or accident relating to its operations which could have a significant or material adverse effect on the environment or worker health and safety, such as worker health and safety accident resulting in death, hospitalization or more than 5 days of loss worker time, material environmental health and safety regulatory non-compliance. The notification should include actions to resolve the issue/incident.
8. Submit within 45 days after the end of the calendar year, a statement on environmental and worker health and safety performance, including current status of compliance with all applicable environmental and worker health and safety regulatory requirements, summary of actions any incidents of non-compliance in the last calendar year, list of any material public complaints or any material legal claims related to environment, health or safety.

***Environmental, Health and Safety Permits, Laws and Regulations***

(i) The MSME shall ensure that all required permits are obtained and in force through the life of the agreement. Where applicable the MSME shall ensure that potentially adverse environmental effects, from wastewater effluent, surface drainage and air emissions, and any other potential damage to the natural environmental, are adequately permitted and mitigated in the operation, and maintenance of project facilities.

(ii) The MSME shall ensure that appropriate health and safety and environmental protection measures, are being used in connection with the implementation and operation of the facilities.

(iii) Additional recommendations from the site visit or by the environmental expert audit may include as applicable the following optional conditions or restrictions;

(a) as applicable, any project specific environment clause which should be added to the SME finance agreement; and

(b) as applicable, any project specific administrative measures (i.e., if supervision by PL or reporting by MSME is required)

***Reporting***

The MSME shall furnish to the Bank immediate notice (within 3 days) of any incident or accident relating to its operations which had an adverse effect on the environment or worker health and safety. In particular, such adverse effect is deemed to have occurred;

(a) Where the applicable law requires notification of the accident/incident to the authorities;

(b) Where the accident/incident involves fatality of worker(s) or multiple serious injury requiring hospitalization.

The MSME shall submit to the PLs and/or ECPCGC, as soon as available, but in any event within (…) days after the end of the (financial) year, an annual report on environmental and worker health and safety matters relating to the project and its operations, in a form satisfactory to the Bank, which shall include copies of any information on environment matters that the Company may have to make available to the authorities and, in any event:

(a) The current status of environmental and worker health and safety permits, licenses or other approvals required for (…) operations [including copies of renewals or modifications of any such approvals].

(b) A summary of incidents of non-compliance with the application environmental law, [including legal or administrative action or proceedings involving the MSME or fines, penalties or increased charges imposed on the MSME].

(c) Progress made on the implementation of any improvements recommended for environmental management or performance.

(d) Worker health protection and safety initiatives [including training programmes] taken by the MSME.

(e) Public complaints/representation, if any.

The report shall state the steps taken or proposed by (…) to address any problems in the above areas, and shall identify the person at the company with overall responsibility for environmental health and safety matters.

*Special Conditions*

In addition to the standard conditions above, the following requirements are included to take into account the regulatory requirements, findings of the site visit, or other information, with the general goals of : 1) updating permit status (including the process of acquiring new permits or licenses); 2) fulfilling the requirements of a Compliance Plan, if applicable; 3) performing periodic Audits of the facility to verify progress and document advances towards improving compliance status; 4) other conditions as appropriate and prudent to ensure that the Participant is fulfilling the intent to achieve full compliance status with laws, regulations, permit conditions, or compliance plans, as applicable. Reporting by the MSMEs shall also include updates and status reports on any of the relevant or special conditions described herein.

These conditions … (are not applicable / include the following:) …

1. Updating permit status
2. Performing periodic compliance audits
3. Adhering to recommendations of reports, studies, or assessments
4. Other

**Step 6 - Administration, Evaluation and Reporting**

As part of administration, ECPCGC will maintain information on MSME performance in its portfolio, and will require PLs to do the same. The ECPCGC will require the following information of PLs annually, and will provide a summary report annually with the following information for the MSME portfolio funded by the project:

1. Breakdown of portfolio by type of transaction, industry sector and environmental risk classification (low, medium and high environmental risk MSMEs).

2. Describe how environmental procedures have been integrated into the transaction approval process.

3. Give details of any transaction rejected on environmental grounds, in particular, for actual or perceived non-compliance.

4. Give details of any other transaction rejected on environmental or health and safety grounds

5. Give details of any material environmental issues associated with Participants during the reporting period, in particular:

(a) Any accidents / litigation / complaints.

(b) Any incidents of non-compliance with applicable environmental and health and safety regulations and standards, such as fines, penalties or excess fees for non-compliance.

(c) Any incidents of non-compliance by Participants with environmental covenants/conditionality imposed by the Bank.

6. Give details of any loans/investments/guarantees etc. used to finance environmental improvements, such as; energy efficiency, waste minimization, switch to cleaner technology, reduction of permit fees or fines due to environmental improvements.

7. Give details of any MSME failures due to environmental problems.

8. Describe how the Participants’ environmental performance is monitored (e.g. site visit by Bank staff; inspection by environmental/health authorities; copies of updated permits, reports from the Participant). Include information on monitoring of special conditions from Permits or other compliance-related items that were included in the Guarantee Agreements.

9. Specify name and position of the individual(s) formally responsible for the implementation of the environmental procedures.

10. State any difficulties and/or constraints related to the implementation of the environmental procedures.

Based on the results of the annual reporting, ECPCGC will utilize and evaluate this information to continually improve and adapt its ESMS. Follow-ups on individual MSMEs will be performed if deemed necessary.

# Annex 2: Pest Management Plan (PMP) Guidelines

If an MSME purchases or uses chemicals to manage pests (including herbicides, fungicides, insecticides, mildewcides, or other pesticides), then at minimum the MSME must not purchase or use chemicals which are prohibited by law or international agreement. A list of these pesticides appears in section 8 of this annex. As well, the MSME must adhere to good practice and follow the laws and guidelines that are available in the host country.

When there are significant pest management issues identified, a Pest Management Plan (PMP) will need to be prepared. Significant pest management issues are described as: (a) new land-use development or changed cultivation practices in an area; (b) significant expansion into new areas, (c) diversification into new crops in agriculture, (d) intensification of existing low-technology systems, (e) proposed procurement of relatively hazardous pest control products or methods, or (f) specific environmental or health concerns (e.g. proximity of protected areas or important aquatic resources, or worker safety issues). A PMP is also prepared when pest control products represent a large component of the project. The WBG Pest Management Policy refers to “pesticides” to include all chemicals used for the control of target pests (i.e. herbicides, fungicides, insecticides, etc.).

The PMP is a comprehensive framework through which pest management is defined and accomplished. The Plan should identify elements of the program to include health and environmental safety, pest identification, and pest management, as well as pesticide storage, transportation, use and disposal. Management Plan is to be used as a tool to reduce reliance on pesticides, to enhance environmental protection, and to maximize the use of integrated pest management techniques. The PMP should apply to all the activities and individuals working on the project or activity. The PMP should be consistent with IPM and emphasize that non-chemical control efforts will be used to the maximum extent possible before pesticides are used.

The PMP must contain pest management requirements, outlines the resources necessary for surveillance and control, and describes the administrative, safety and environmental requirements. The Plan should provide guidance for operating and maintaining an effective pest management program/ activities. Pests considering in the Plan may be weeds and other unwanted vegetation, crawling insects and other vertebrate pests. Without control, these pests provoke plants’ deceases. Adherence to the Plan will ensure effective, economical and environmentally acceptable pest management and will maintain compliance with pertinent laws and regulations.

The recommended structure of a *Pest Management Plan* is presented below.

1. ***Background*** which would outline i) the *purpose* of the Plan, ii) indicate *pest management authorities*, and iii) pest management program *objective*;

1. ***Responsibilities of individuals*** (e.g., Program Director, Health Chair, Pest Management Coordinator, Pest Management Personnel, etc.)
2. ***General Information*** which should provide data on land use and soil, in the area where the pesticides are applied; climate, geo-morphology, settlements in the area of concern, population, surface water, etc. as well as inventory of land use and layout of facilities
3. ***Priority of Pest Management*** (e.g., undesirable vegetation, vertebrate pests, etc.)
4. ***Integrated Pest Management***
	1. *Principles of the Integrated Pest Management* are: a) *Mechanical and Physical Control.* This type of control alters the environment in which a pest lives, traps and removes pests where they are not wanted, or excludes pests. Examples of this type control include: harborage elimination through caulking or filling voids, screening, etc. b) *Cultural Control.* Strategies in this method involve manipulating environmental conditions to suppress or eliminate pests. For example, spreading manure from stables onto fields to dry prevents fly breeding. Elimination of food and water for pests through good sanitary practices may prevent pest populations from becoming established or from increasing beyond a certain size. c) *Biological Control*. In this control strategy, predators, parasites or disease organisms are used to control pest populations. Sterile flies may be released to lower reproductivity. Viruses and bacteria may be used which control growth or otherwise kill insects. Parasitic wasps may be introduced to kill eggs, larvae or other life stages. Biological control may be effective in and of itself, but is often used in conjunction with other types of control. d) *Chemical Control.* Pesticides kill living organisms, whether they will be plants or animals. At one time, chemicals were considered to be the most effective control available, but pest resistance rendered many pesticides ineffective. The trend is to use pesticides which have limited residual action. While this has reduced human exposure and lessened environmental impact, the cost of chemical control has risen due to requirements for more frequent application. Since personal protection and special handling and storage requirements are necessary with the use of chemicals, the overall cost of using chemicals as a sole means of control can be quite costly when compared with nonchemical control methods.
	2. *Integrated Pest Management Outlines.* This sub-chapter addresses each major pest or category of similar pests is addressed, by site, in separate outlines.
	3. *Annual Workload for Surveillance, Prevention, and Control.* In this sub-chapter has to be indicated the number of man-hours expended for surveillance, prevention, and control of pests.
5. ***Health and Safety***. This chapter should contain health and safety requirements as follows:
	1. *Medical Surveillance of Pest Management Personnel*. All personnel who apply pesticides have to are included in a medical surveillance program.
	2. *Hazard Communication*. Pest management personnel are given hazard communication training, to include hazardous materials in his workplace. Additional training is to be given to new employees or when new hazardous materials are introduced into the workplace.
	3. *Personal Protective Equipment*. In this chapter has to be described approved masks, respirators, chemical resistant gloves and boots, and protective clothing (as specified by applicable laws, regulations and/or the pesticide label) are provided to pesticide applicators. These items are used as required during the mixing and application of pesticides. Pesticide-contaminated protective clothing is not to be laundered at home but commercially. Severely contaminated clothing is not laundered, but is considered a pesticide-related waste and disposed, as applicable for hazardous waste.
	4. *Fire Protection*. The fire safety protection requirements have to be established; the pest management coordinator has to control implementation of measures to prevent fire.
6. ***Environmental Considerations***.
	1. *Protection of the Public*. Precautions are taken during pesticide application to protect the public, on and off the installation. Pesticides should not be applied outdoors when the wind speed exceeds 155 m/min. Whenever pesticides are applied outdoors, care is taken to make sure that any spray drift is kept away from individuals, including the applicator. Pesticide application indoors is accomplished by individuals wearing the proper personal protective clothing and equipment. At no time are personnel permitted in a treatment area during pesticide application unless they have met the medical monitoring standards and are appropriately protected.
	2. *Sensitive Areas.* No pesticides are applied directly to wetlands or water areas (lakes, rivers, etc.) unless use in such sites is specifically approved.
	3. *Endangered/Protected Species and Critical Habitats.* Protected migratory birds which periodically occur on the installation cannot be controlled without a permit. The Pest Management Coordinator periodically evaluates ongoing pest control operations and evaluates all new pest control operations to ensure compliance with the list of endangered species No pest management operations are conducted that are likely to have a negative impact on endangered or protected species or their habitats without prior approval from environmental authorities.
	4. *Environmental Documentation.* An environmental assessment which specifically addresses the pesticide use program on the installation has been prepared. This plan is referenced in the assessment as documentation of pesticide use.
7. ***List of Prohibited Pesticides***.

Prohibited pesticides are listed below and include the WHO “dirty dozen” which are prohibited as well:

2,4,5,-T

* aldicarb

Aldrin

* binapacryl

captafol

chlordane

chlordecone

Chlordimeform

* chlorobenzilate

DDT

dieldrin

Dinoseb and dinoseb salts

1,2-dibromoethane (EDB)

Endrin

* fluoracetamide

HCH (mixed isomers)

heptachlor

* hexachlorobenzene

lindane

* Mercury compounds
* mirex
* paraquat

pentachlorophenol

toxaphene

* monocrotophos
* methamidophos
* phosphamidon

Methyl parathion

parathion

alphahexachlorocyclohexane

Beta-HCH

Pentachlorobenzene

# Annex 3: Consultations on Draft ESMF

A workshop was held in November 2016 to share the drafts of the ECPCGC Agreement and receive feedback from key stakeholders. As part of the consultation strategy for the draft ECPCGC legislation, a two day validation workshop was held in Saint Kitts and Nevis on 14-15 November, 2016. A wide range of stakeholders from the ECCU attended: representatives from credit unions, cooperatives, commercial banks, MSMEs, members of professional services associations, civil society, governments, attorney general chambers, regional political institutions, and regional and national financial regulators.

The draft ESMF was prepared in November 2017 and will be disclosed and consultations with key stakeholders conducted as part of the awareness campaign conducted by the Eastern Caribbean Central Bank. Key findings of the consultations will be summarized and included in the final revisions of the ESMF. Dates of the consultations will be the following:

* Saint Lucia, Nov. 14, 2017
* Antigua and Barbuda, Nov. 17, 2017
* Grenada, Nov. 20, 2017
* Saint Vincent and the Grenadines, Nov. 22, 2017
* Saint Kitts and Nevis, Nov. 28, 2017 (to be confirmed)

The draft ESMF was published on ECCB website and opened for public comment (see image below). The ESMF was accompanied by an announcement and invitation to attend the workshop series, as well as an email address to provide feedback directly.

The ESMF will be updated to include comments from the consultations. The revised and final ESMF will subsequently be disclosed and published on the World Bank and ECCB websites. ­­­Other changes or revisions are expected to occur periodically as ECCB and ECPCGC improves MSME support and project performance.

1. [https://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/](%20https%3A/firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/) [↑](#footnote-ref-1)
2. [http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTSAFEPOL/0,,menuPK:584441~pagePK:64168427~piPK:64168435~theSitePK:584435,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTSAFEPOL/0%2C%2CmenuPK%3A584441~pagePK%3A64168427~piPK%3A64168435~theSitePK%3A584435%2C00.html) [↑](#footnote-ref-2)
3. This will be disclosed publicly in October 2017 and the link will be shared [↑](#footnote-ref-3)
4. <http://www.ifc.org/ehsguidelines> [↑](#footnote-ref-4)
5. Investments will not be financed that trigger OP 4.12, which have a direct economic and social impacts through the: (1) involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (2) involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons. [↑](#footnote-ref-5)
6. This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue [↑](#footnote-ref-6)
7. This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue [↑](#footnote-ref-7)
8. This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue [↑](#footnote-ref-8)
9. [www.cites.org](http://www.cites.org) [↑](#footnote-ref-9)
10. 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 [↑](#footnote-ref-10)
11. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%. [↑](#footnote-ref-11)
12. Primary forest is defined as relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years; and Tropical moist forest is generally defined as forest in areas that receive not less than 100 mm of rain in any month for two out of three years and have an annual mean temperature of 240 C or higher. [↑](#footnote-ref-12)
13. Pharmaceutical products subject to phase outs or bans in United Nations, *Banned Products: Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved by Governments*. (Last version 2001, [www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001\_3.pdf](http://www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001_3.pdf)) [↑](#footnote-ref-13)
14. Pesticides and herbicides subject to phase outs or bans included in both the Rotterdam Convention ([www.pic.int](http://www.pic.int)) and the Stockholm Convention ([www.pops.int](http://www.pops.int)). [↑](#footnote-ref-14)
15. 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 includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents. ([www.unep.org/ozone/montreal.shtml](http://www.unep.org/ozone/montreal.shtml)). [↑](#footnote-ref-15)
16. Define by the Basel Convention ([www.basel.int](http://www.basel.int)). [↑](#footnote-ref-16)
17. Defined by the International Convention on the reduction and elimination of persistent organic pollutants (POPs)(September 1999) and presently include the pesticides aldrin, chlordane, dieldrin, endrin, heptachlor, mirex, and toxaphene, as well as the industrial chemical chlorobenzene ([www.pops.int](http://www.pops.int)) [↑](#footnote-ref-17)
18. Fundamental Principles and Rights at Work means (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) prohibition of all forms of forced or compulsory labor; (iii) prohibition of child labor, including without limitation the prohibition of persons under 18 from working in hazardous conditions (which includes construction activities), persons under 18 from working at night, and that persons under 18 be found fit to work via medical examinations; (iv) elimination of discrimination in respect of employment and occupation, where discrimination is defined as any distinction, exclusion or preference based on race, color, sex, religion, political opinion, national extraction, or social origin. (International Labor Organization: [www.ilo.org](http://www.ilo.org)) [↑](#footnote-ref-18)
19. In addition to in-country designated areas, other areas include: natural World Heritage Sites (defined by World Heritage Convention, <http://whc.unesco.org/nwhc/pages/doc/main.htm>.), United Nations List of National Parks and Protected Areas, designated wetlands of international importance (defined by RAMSAR Convention, [www.ramsar.org](http://www.ramsar.org)), or selected areas (e.g., strict nature reserves/wilderness areas, natural parks, natural monuments or habitat/species management areas) defined by IUCN (International Conservation Union, [www.iucn.org](http://www.iucn.org)). [↑](#footnote-ref-19)
20. Relative to Query 1, certain industry sectors carry low, medium, and relatively high E&S risks and/or impacts. “Default” values (Low, Medium or High) can be found using the guidance notes for risk categorization by sector: https://firstforsustainability.org/risk-management/risk-by-industry-sector/ for WBG guidance of most sectors, especially medium-sized enterprises; [www.ebrd.com/downloads/about/sustainability/ebrd-risk-english.pdf](http://www.ebrd.com/downloads/about/sustainability/ebrd-risk-english.pdf) for European Bank for Reconstruction and Development guidance of small and medium enterprises; and/or <https://www.fmo.nl/estoolkit> (download “English Field Guide”) for Dutch Development Bank guidance for most micro- and small enterprises. [↑](#footnote-ref-20)