



# IIC Environmental and Social Guidance Document



## **Acronyms and Abbreviations**

DFI	Development Finance Institution
DIAS	Development Impact and Additionality Scoring
E & S	Environmental and Social
EIA	Environmental Impact Assessment
ESDD	E & S Due Diligence
ESIA	Environmental & Social Impact Assessment
ESAP	E & S Action Plan
ESMP	Environmental & Social Management Plan
ESMS	Environmental & Social Management System
FI	Financial Intermediary
IIC	Inter-American Investment Corporation
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labor Organization
ISO	International Organization for Standardization
PS	IFC's Performance Standard
SME	Small and medium enterprises
TA	Technical assistance
XASR	Expanded Annual Supervision Report

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## **I. Introduction**

- 1.1 The Board of Executive Directors of the Inter-American Investment Corporation (“IIC”) approved IIC’s Environmental and Social Sustainability Policy (the “Sustainability Policy”) to become effective on September 1, 2013. The purpose of the Sustainability Policy is to convey IIC’s commitment to sustainable development, an integral part of its approach to risk management, as well as its development mandate.
- 1.2 This Environmental & Social Guidance Document (the “Guidance Document”) presents the typical process to be followed by IIC for reviewing, approving, implementing and monitoring the environmental and social (“E & S”) aspects of its investments<sup>1</sup> and technical assistance (“TA”) activities in accordance with the Sustainability Policy. The purpose of the Guidance Document is to define responsibilities and processes to facilitate compliance with the Sustainability Policy and its reference standards. The Guidance Document was prepared by IIC’s Development Effectiveness Division (DEC) with the collaboration of other divisions and units of the IIC and the peer review of the Environmental Safeguards Unit (ESG) of the Inter-American Development Bank (“IDB”).
- 1.3 The application of the procedures is commensurate with IIC’s mandate, and with the risks and impacts of individual investments and TA activities.
- 1.4 IIC applies its E & S due-diligence and supervision procedures in order to ensure that the investments and technical assistance services it undertakes “do no harm” to people or the environment, and enhance the E & S sustainability of the companies the IIC supports, in accordance with the relevant standards referred to in the Sustainability Policy. These standards (see section VIII, paragraph 7.1) include the IDB Environment and Safeguards Compliance Policy<sup>2</sup>, other IDB safeguard policies and sector guidelines, the Performance Standards on E & S Sustainability of the International Finance Corporation (“IFC”), and the World Bank Group/IFC Environmental Health and Safety (“EHS”) Guidelines (including both General EHS guidelines and Industry Sector EHS Guidelines). In cases where there is a substantial difference between IDB and IFC standard, as applicable to IIC investments, IIC will abide by the standards included in the relevant IDB policy.

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<sup>1</sup> The term “investments” is used interchangeably herein as operations or projects. In the case of investments or loans made by FIs receiving IIC financing, the term “investments” refers to the sub-projects that are co-funded with IIC resources, (see section IV for approach to investments through financial intermediaries). Furthermore, “investments” covers a variety of financing instruments, such as loans, guarantees, equity and quasi-equity, amongst others. The term “client” is used interchangeably herein to refer to the borrower, beneficiary of a guarantee, investee, as well as the sponsor of a specific transaction.

<sup>2</sup> The IIC will follow the standards of IDB’s Environment and Safeguards Compliance Policy as applicable to private sector investments and activities and taking into account IIC’s primary focus on small and medium enterprises.

- 1.5 Any subsequent revisions to those standards, policies and guidelines will be incorporated into the Sustainability Policy for all future investments, unless otherwise provided by the IIC's Board of Executive Directors.<sup>3</sup>
- 1.6 IIC investments and activities can be classified in three distinct categories:
- Direct Investments;
  - Financial Intermediary Investments; and
  - Technical Assistance Activities.
- 1.7 The E & S procedures for each of these three types of activities and financing operations are described in this document.

## **II. Project Cycle**

### **E & S Aspects of the Project Cycle**

- 2.1 E & S due-diligence is an integral part of the IIC project cycle, and covers all relevant risks and opportunities including reputational risk and positive and negative impacts (direct, indirect and cumulative). E & S appraisal parallels the project cycle outlined in the IIC Operations Manual.
- 2.2 The IIC project cycle, while in effect continual, consists of the following stages:
- Prospecting Phase;
  - Active Pipeline: Risk Assessment guidelines (RAAG), integrity and additionality review;
  - Structuring & Approval: Due Diligence (including E & S due diligence), disclosure of Project on IIC's website; Board Approval;
  - Closing: Investment agreement; Disbursement; and
  - Supervision.
- 2.3 When carrying out the E & S due-diligence of an investment, the IIC considers three primary aspects:
- potential E & S risks and impacts;
  - client's capacity and commitment to meet the requirements of the IIC Sustainability Policy; and

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<sup>3</sup> In this case, any implications for future joint investments between IDB and IIC will have to be stipulated on a case-by-case basis.

- host country's institutional and regulatory framework and its relevance to achieving compliance with the Sustainability Policy.

- 2.4 The IIC may decide not to finance investments on the basis of E & S risks and impacts or in cases where the operation will not meet its E & S requirements within a reasonable time frame. In certain cases, an investment may not be in full compliance at the time of signing the legal agreement with the IIC, but approval of financing will be linked with the contractual obligation of achieving compliance within a designated timeframe. Persistent delays in meeting these requirements can lead to loss of financial support from the IIC as it could become an event of default granting IIC the right to accelerate the loan.
- 2.5 The IIC's E & S due diligence (ESDD) is commensurate with the level of E & S risk and impacts of the investment. As part of the ESDD, the IIC not only identifies the necessary E & S mitigation measures contractually required to meet the IIC's Sustainability Policy, but in many cases it also identifies other targets that go beyond the minimum requirements but are desired outcomes. In these cases, the IIC strives to assist clients in reaching these stretch goals by delivering clients with technical assistance by way of non-reimbursable trust funds used to undertake specific E & S related activities that complement existing or proposed projects.

### **Roles and Responsibilities**

#### ***The Project Team***

- 2.6 The Sustainability Policy is implemented via the Guidance Document. The E & S Specialist works with the corresponding Investment Officer, Project Attorney, Additionality Officer, and Technical Assistance Officer leading the effort to implement the procedures outlined in this Document.
- 2.7 IIC engages external consultants for all Category A projects and for higher risk Category B projects. Depending on project complexity and magnitude of potential risks and impacts, the E & S Specialist may elect to engage external consultants for any project to provide support for evaluating and monitoring investments or issues in higher risk sectors or sensitive areas.<sup>4</sup>

#### ***Client's Role***

- 2.8 IIC requires clients to effectively manage the E & S risks and impacts of their operations in accordance with the reference standards of the IIC Sustainability Policy. The client is responsible for assessing these risks and impacts, and implementing management systems and measures to meet the requirements and standards included in the Sustainability Policy. The client is also required to provide the IIC with monitoring information, such as Environmental Monitoring Reports, at least annually during the life of the IIC investment.

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<sup>4</sup> Typically these include major infrastructure projects, high GHG emission projects, hydroelectric projects, extractive projects and other projects in or near protected areas or other areas of significant cultural or biodiversity value.

- 2.9 A key requirement for the client's management of its environmental and social performance is its engagement with affected communities and stakeholders through the disclosure of relevant project information, consultation, and informed, effective participation. Stakeholder engagement must be commensurate to project risks and impacts and enable them to express their concerns in a timely manner as to the scope and effectiveness of environmental and social assessments, management plans and compensation schemes. Certain impacts related to resettlement, livelihood losses and indigenous peoples may require agreements with stakeholders. Projects in complex and/or conflictive contexts must also include grievance management mechanisms. Special attention must be paid to participation by vulnerable groups (such as women, indigenous peoples, and other ethnic minorities, low income and illiterate groups, youth, the elderly, and persons with disabilities).

### ***Role of the IIC***

- 2.10 IIC's role is to:

- Conduct E & S due-diligence of the proposed investment activity;
- Inform the client of the environmental and social standards that apply to a project under the IIC Sustainability Policy and whether the project meets those standards;
- Provide the client with recommendations on the measures needed to avoid, minimize, mitigate, or compensate for E & S impacts consistent with the Sustainability Policy;
- Categorize the investment to determine the specific IIC's E & S due diligence, management, public disclosure and supervision requirements, in accordance with the IIC Sustainability Policy and the IIC Disclosure of Information Policy;
- Supervise, monitor and document the client's E & S performance throughout the life of IIC's investment in order to ensure compliance with all E & S requirements; and
- Disclose information about its investment activities in accordance with the IIC Disclosure of Information Policy.

## **III. Direct Investment Projects**

### **Overview**

- 3.1 E & S appraisals for direct investments include the following:

- review of available information, records, and documentation (including ESIA's, audits, licenses, permits, etc.) related to the E & S risks and impacts (direct, indirect and cumulative), as well as E & S risk categorization of the project and associated facilities<sup>5</sup>; if information gaps

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<sup>5</sup> Associated facilities in the context of environmental assessment, refer to new or additional works and/or infrastructure, irrespective of the source of financing, essential to the IIC financed project to function, such as new additional, access roads, power lines, pipelines to be built for the project, construction camps or permanent housing for workers, new/additional project effluent treatment facilities, solid waste disposal sites, hazardous waste treatment facilities.

- are identified request and review all necessary additional information, including any that is required to meet ESIA and EA quality reference standards;
- a site visit<sup>6</sup> and interviews with client staff and relevant stakeholders;
- evaluation of the project's E & S management plans, systems and, if operational, its E & S performance in relation to the requirements of the Sustainability Policy, the IDB Environment and Safeguard Compliance Policy and other IDB safeguard policies and guidelines, including sector guidelines; IFC Performance Standards and applicable World Bank Group/IFC General EHS Guidelines and Industry Sector Guidelines; and host country regulations<sup>7</sup>;
- evaluation of similar aspects of risk management measures of associated facilities (if applicable);
- identification of all the E & S compliance requirements the project must meet throughout the life of the loan; and
- identification of gaps and development of an E & S Action Plan (ESAP) to close such gaps, if any. Once the ESAP is agreed upon, client commitment to implement it becomes a requirement of project approval and forms an integral part of the subsequent legal agreements between the IIC and the client.

3.2 The IIC will not finance investments that it determines present excessive E & S risks and impacts, or to be unlikely to comply with E & S requirements consistent with the IIC Sustainability Policy and its reference standards within a reasonable time frame.<sup>8</sup> IIC will not finance investments in the sectors listed in the IIC Exclusion List.

3.3 The Direct Investments project cycle follows the regular project cycle outlined above. The E & S component for each phase of the project, are described as follows.

### **Prospecting Phase**

3.4 Prior to formally agreeing to consider an investment, the IIC will have exploratory discussions with potential clients to understand the subject project and the likely potential benefits, risks and impacts. At that time, the Investment Officer should inform the potential client about the Sustainability Policy and associated requirements, including the Exclusion List and relevant reference standards, and alert the IIC E & S Specialist that the investment or project is under initial consideration. At this time a determination should be made if any activities associated with the investment would be prohibited by the IIC Exclusion List, and if the project is likely to have medium to high environmental and social impacts an initial screening for potential risks and impacts should be undertaken with the E&S specialists.

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<sup>6</sup> In the case of special initiatives involving low risk activities of the IIC's smallest investments (such as FINPYME *Credit*) a site visit and ESAP are not typically required.

<sup>7</sup> When host country regulations differ from the levels and measures presented in the IDB Policies and Guidelines and/or World Bank/IFC EHS Guidelines, projects will be required to achieve whichever is more stringent.

<sup>8</sup> In certain cases, a project may not be in full compliance at the time of financing, but approval of financing will be conditional on the project achieving compliance within a designated timeframe.

3.5 For projects involving higher risks or impact sectors, the E & S Specialist will conduct a preliminary review of the project's ESIA, environmental audit, licenses and permits or other relevant documentation. The E & S Specialist will provide guidance on the type of information or studies required, but in general the following types of supporting information should be provided:

- Location, and if relevant, proximity to protected areas or areas of significant ecological or social significance<sup>9</sup>;
- Current and historical land use at the site;
- Requirements, if any for land acquisition, resettlement or economic displacement;
- Local population characteristics including identification of ethnic groups and minorities, indigenous peoples and other vulnerable or marginalized groups<sup>10</sup>;
- Environmental or social issues related to the project or location, if any, and a preliminary assessment of their significance;
- The major stakeholders including potentially adversely affected parties;
- Evidence of prior or ongoing stakeholder engagement and general local support/opposition to the project;
- The sponsor's (and if known contractor's and operator's) corporate policies and track record related to E & S issue performance and reputation;
- For existing clients seeking additional finance, a review of the performance of current investments;
- Identification of any associated facilities and their respective risk management arrangements.

3.6 For projects involving higher risk or impact sectors, the E & S Specialist will determine at the prospecting stage whether external E & S support of a consultant is required, taking into account sector risks and/or significant potential impacts such as resettlement, livelihood loss or biodiversity impacts, etc. However, for medium and lower risk projects, this will be done once the project has entered the active pipeline phase.

### ***Extractive Industries***

3.7 In addition to the ESDD required for other sectors in accordance with the IIC Sustainability Policy, in cases where the IIC invests in an extractive project (oil, gas and mining), the IIC will assess the

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<sup>9</sup> Examples of areas of significant ecological or social significance include critical natural habitats given their high conservation value or critical cultural sites (including those protected such as World Heritage sites and National Monuments, and areas recognized as protected by traditional local communities.

<sup>10</sup> The vulnerable status may be related to race, color, sex, sexual orientation, language, religion, political or other opinion, national or social origin, property or other status. Clients should also consider factors such as gender, age, ethnicity, culture, literacy, sickness, disability, poverty or economic disadvantage, and dependence on unique natural resources.

governance risks of the sector, sponsor and relevant country and will compare them with the project's expected development benefits. The expected net benefits and the risk to the project due to weak governance are reviewed.

- 3.8 The E & S Specialist will work with the Project Attorney and Investment Officer to request the potential client to provide information to determine whether revenue payments for the project to host governments are (or will be) transparent, if the client publicly discloses (or plans to disclose) their material project payments to the host government (such as royalties, taxes, and profit sharing) and whether such disclosure complies with the requirements of the Extractive Industry Transparency Initiative (EITI) Principles and Criteria. Projects that do not meet these requirements, or fail to present an action plan to do so within an acceptable timeframe, will not be eligible for IIC support. The disclosure of these material payments may be made on a project basis or on a corporate basis, depending on what is most appropriate.
- 3.9 As is the case for all IIC operations, the project's development benefits will be quantified through the IIC DIAS (Development Impact and Additionality Scoring System); however in the case of extractive projects, IIC will determine whether the governance risk associated with the project is acceptable, as well as require a high DIAS score in order to proceed with the project. The E & S Specialist in conjunction with the Development Officer for the project will determine whether the governance risks are considered acceptable and whether the DIAS is sufficiently high to proceed with the project.

#### ***Climate Change Mitigation and Low Carbon Development***

- 3.10 Through its commitment to low carbon development, the IIC makes efforts to invest in a number of related areas, including renewable energy and energy efficiency projects. However, in cases where a subject project has the potential to be a high greenhouse gas emitter (i.e. coal-fueled power plant, cement, steel production, etc.) the E & S team will require that IIC clients assess climate impacts and risks related to their activities and operations and to follow relevant IDB, IFC and World Bank sectorial guidelines as benchmarks for good industry practices and to design, implement and operate their projects and activities accordingly<sup>11</sup>.

#### ***Outcome of Initial E & S Review***

- 3.11 The E & S team will review the relevant information and will notify the investment team at this stage as to whether the client is anticipated to be able to comply with the IIC's requirements with respect to its Sustainability Policy and the applicable reference standards, or whether the IIC should refrain from considering the project for financing.

#### **Active Pipeline Phase**

At this this stage the E & S team will:

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<sup>11</sup> The IIC will require that the potential client provide the necessary information to determine whether the subject project is anticipated to comply with the requirements established in the relevant IDB Cement Manufacturing Guidelines, Coal Fueled Power Plant Guidelines, Landfill Guidelines, and Liquid and Gaseous Fossil Fuel Power Plant Guidelines (<http://www.iadb.org/en/topics/sustainability/tools-and-guidelines,1519.html>)

- Assign an E & S Specialist to the investment;
- Coordinate with other investors;
- Collect information;
- Categorize the investment;
- Provide a preliminary assessment of the client's E & S management capacity;
- Determine the nature and magnitude of potential impacts and risks posed by the investment project and any associated facilities;
- Determine IDB policies and guidelines, WB/IFC EHS Guidelines, and IFC Performance Standards that will likely apply to the investment and provide them to the investment team and client;
- Determine additional information needs, if any;
- Develop the agenda and required meetings for the site visit in collaboration with the client and other multilateral investors; and
- Determine if external consultants are necessary.

3.12 If other investors are involved, the E & S Specialist will ensure coordination of appraisal and disclosure requirements. Subsequently, the E & S Specialist will determine if additional information is required. Information requirements vary with category. Category A projects require greater documentation which, as a rule, include environmental and social impact assessments and management plans.

### ***Information Collection***

3.13 The E & S Specialist sends an initial questionnaire to the client designed to collect the information needed to categorize the investment according to the scheme described below. The E & S Specialist will tailor a questionnaire to each project (see Annex A for examples of potential E & S issues to be covered in the documentation solicited for the project). The E & S Specialist will also use a variety of questionnaires depending on the type of investment.

### ***Categorization***

3.14 On the basis of the information collected and reviewed, the E & S Specialist will screen the investment under consideration using an opportunity and risk based approach, and will assign a category designation. Direct investments are categorized as A, B or C based on type, sector, scale and magnitude of potential E & S risks and impacts (direct, indirect and cumulative) of the investment, and to indicate the appropriate extent of E & S impact assessment, management effort, information disclosure and stakeholder engagement required.

- **Category A** projects are those that could result in potentially significant and diverse, irreversible, or unprecedented E & S risks and impacts that often extend beyond the boundaries of the actual project site or facilities. In principle, Category A includes projects which have significant potential impacts on protected or sensitive areas,<sup>12</sup> and/or vulnerable populations.
- **Category B** projects have potential E & S impacts 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.
- **Category C** projects are those that are likely to result in very limited or no adverse E & S impacts and therefore require no further E & S appraisal beyond categorization, though they may require standard environmental and social management measures and must meet regulatory requirements.

3.15 In the case of Category A and B greenfield projects, an environmental and social impact assessment (ESIA) or equivalent study is typically required, and in the case of existing facilities, an environmental, health and safety audit (EHS Audit) is required unless the necessary information is otherwise available. For lower impact category B projects, specific E & S analysis may be sufficient. For Category C projects, confirmation that the investment has all necessary licenses and is in compliance with host country regulation is all that is required.

3.16 The number and types of IDB Environmental and Social Safeguards and IFC Performance Standards that would be applicable to an investment is also an indicator used in categorization.

3.17 IDB Environmental and Social Safeguards include:

- OP-703 [Environment and Safeguards Compliance](#)
- OP-704 [Natural Disaster Risk Management](#)
- OP-710 [Involuntary Resettlement](#)
- OP-761 [Gender Equality in Development](#)
- OP-765 [Indigenous Peoples](#)

3.18 The IFC [Performance Standards](#) include the following:

- Performance Standard 1: Assessment and Management of E & S Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention

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<sup>12</sup> Examples of sensitive areas may include critical natural habitat, indigenous territories, and/or cultural sites of spiritual, historical or archaeological significance.

- Performance Standard 4: Community Health, Safety and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

3.19 When involuntary resettlement, critical habitats, indigenous peoples, and or cultural heritage are applicable, a Category A categorization is likely. Category B projects generally trigger fewer safeguards/policies and Performance Standards, and C projects trigger few if any.

3.20 In order for the project to proceed from the Prospecting phase to the Active pipeline phase, the E & S Specialist must provide the E & S clearance. To this end, after categorization, the E & S Specialist will determine the scope of the due diligence and agree with the investment team, the project attorney and the client on the steps to carry it out.

### **Structuring and Approval**

3.21 The structuring and approval phase involves carrying out the following steps: due diligence (including E & S due diligence), disclosure of Project on IIC's website, and Board approval.

### ***E & S Due Diligence (ESDD)***

3.22 The purpose of the ESDD is to:

- Identify and assess potential E & S impacts, risks and issues, both adverse and beneficial, directly and indirectly associated with a proposed investment project;
- Identify all E & S performance requirements the project must meet and maintain to comply with the IIC Sustainability Policy.
- Conduct a gap analysis to define areas of project non-compliance with the requirements of the Sustainability Policy, which include the IDB Environment and Safeguards Compliance Policy<sup>13</sup> and other relevant IDB safeguard policies, as well as IFC's Performance Standards and the World Bank/IFC Environmental, Health and Safety (EHS) Guidelines, as well as host country regulatory requirements;
- Assess the commitment and capacity of the client to comply with requirements and standards, mitigate identified impacts and define corrective actions as needed;

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<sup>13</sup> The IIC will follow the IDB Environmental and Safeguards Compliance Policy and the respective guidelines as applicable to private sector operations.

- Develop an ESAP that defines impact management, mitigation and compensation tasks to implement compliance with all environmental and social requirements and to close any gaps identified in order to ensure compliance with the Sustainability Policy requirements;
- Verify that the costs associated with mitigating and managing the E & S risks identified are factored into the project;
- Inform the investment team of issues that pose risks of non-compliance with the IIC's Sustainability Policy and/or a significant reputational risk to the IIC or a credit or reputational risk to the client;
- Ensure that the investment contracts include appropriate definitions, representations, disbursement conditions, covenants and remedies to obligate the client to comply with the IIC's E & S requirements, including those described in the ESAP, and stipulate supervision and reporting obligations;
- Determine and communicate to the Investment Officers the resources that both the client and IIC need in order to adequately complete the appraisal and supervise and monitor the project; and
- Assist the project team in identifying opportunities for the IIC to provide the client with technical assistance related to E & S improvements.

### **Appraisal Planning**

- 3.23 The E & S Specialist is responsible for reviewing the projects and determining whether the project can meet the requirements of the Sustainability Policy within a reasonable timeframe. The E & S Specialist assigned to the project will conduct a desk review of the available documentation and will propose the scope of the agenda for the site visit.
- 3.24 The E & S Specialist will provide the investment team and client with the relevant standards (see section 7), to make the client aware of which standards are applicable to the project. These standards include the IDB Environment and Safeguards Compliance Policy (as applicable private sector operations), other IDB safeguard policies and sector guidelines, the Performance Standards on E & S Sustainability of the International Finance Corporation ("IFC"), and the World Bank Group/IFC Environmental Health and Safety ("EHS") Guidelines (including both General EHS guidelines and Industry Sector EHS Guidelines). After reviewing the environmental and social information available, the E & S Specialist will prepare a follow up list of E & S questions, which will be sent to the client to collect the necessary data. In the event that other multilateral finance institutions, export credit agencies, or similar financial organizations are participating in the project, the E & S Specialist will coordinate the E & S review and disclosure with the other investors to avoid duplicating efforts and having inconsistent requirements.

### **Site Visit**

- 3.25 While there are cases when a site visit is not required for appraisal (for example, repeat investment in a project where recent information is available or some of IIC's smallest investments, for example under the FINPYME *Credit* program) as a rule, new projects require an appraisal visit to be conducted by an E & S Specialist.

- 3.26 The site visit will generally include a reconnaissance of the project site and the area of direct and indirect influence. This may include, but will not be limited to, access roads and other transport corridors, adjacent and nearby properties areas for ancillary facilities such as camps, staging areas, material extraction and waste disposal areas, areas downstream of effluent discharge, sensitive receptors, and associated facilities. The visit should also include meetings with project affected people, such as communities and workers, and other local stakeholders.
- 3.27 During the wrap-up meeting with the client, the E & S Specialist will discuss the issues identified and provide guidance on how to close gaps against the requirements of the Sustainability Policy. Preliminary findings and likely improvements and activities to be included in the E & S Action Plan will be discussed with the client. During this meeting the E & S Specialist will also assess the level of commitment of the client to carry out the required improvements.
- 3.28 In some cases, where a project has a significant number of E & S issues and various IDB Policies and guidelines and/or PSs are triggered, various multiple appraisal missions may be required. This may be particularly required for Category A projects. Based on the desk review and appraisal mission, it may also be determined that additional studies may be warranted (for example, studies to assess cumulative impacts, risks of associated facilities, impacts on particular groups, biodiversity and cultural property baselines, additional stakeholder engagement, etc.) and the client may need to engage an external expert to assist with further assessments of particularly high impact issues (such as those related to biodiversity, indigenous peoples, resettlement and livelihood impacts, etc.).

***Special rules for joint-financing with IDB***

- 3.29 In accordance with the Memorandum of Understanding between IDB and IIC on Principles for Inter-Institutional Cooperation and Coordination of Private Sector and Non-Sovereign Guaranteed Operations, IDB and IIC acknowledge that the IDB Group members are held to a similar high standard in project evaluation and due diligence, and document preparation by their governing bodies. Project teams working on related transactions will be expected to pool resources, share information and rely on each other's due diligence findings and internal approval documents when drafting their own reports and documents, while also ensuring adherence to such party's institutional policies and procedures.
- 3.30 For investments in which both the IDB and IIC participate in the financing of the project, the E & S assessments would be shared between the institutions, facilitating the E & S review process, including:
- Conduct joint screening and agree on a category and scope of ESDD;
  - Establish a joint team and streamline participation in the site visits;
  - Once the ESDD is completed, agree on the compliance requirements and on the ESAP that will apply to the approval and supervision of the investment; and
  - Establish a joint supervision, monitoring and reporting plan.
- 3.31 For projects being co-financed where the two institutions carry out the due-diligence within the same timeframe, the IIC E & S team will coordinate closely with the IDB ESG Unit such that the team of E & S specialists from both institutions complement each other's work, rather than duplicate efforts. E & S

compliance reports and other relevant E & S information will be shared, and should any related non-compliance situation arise the IDB and IIC would undertake coordinated action for additional supervision, corrective or remedial action needed, striving to reach consensus on important project issues amongst themselves, preferably before the client or third parties are involved in the decision process.

### ***Credit Proposal (CP)***

- 3.32 The E & S Specialist will prepare an ESAP to implement all measures required to comply with the IIC Sustainability Policy according to reference standards and close any gaps identified during the due diligence. If an external consultant was engaged, the E & S Specialist will review the external consultant's report prior to agreeing with client on the issues to be addressed in the ESAP. The E & S Specialist, is primary responsible for negotiating the E & S Action Plan with support of the other members of the project team.
- 3.33 The ESAP is the primary output of the environmental due diligence process and will be incorporated in the investment agreement. The ESAP will include the general E&S compliance requirements for the life of the loan, identify specific corrective actions necessary to close any gaps identified and include a prioritized list of actions with targeted completion dates and specific deliverable or other evidence of completion. The higher priority and more urgent actions in the ESAP will be used as criteria for disbursement in the relevant investment agreements, at discretion of the E & S Specialist in coordination with the Investment Officer.
- 3.34 Once the ESAP has been prepared, reviewed and agreed with the client, the E & S Specialist will provide the final ESAP to the Investment Officer and Project Attorney, for inclusion in the relevant legal agreements.
- 3.35 Once the ESDD is completed the E & S specialist will prepare a detailed environmental and social review summary setting for the ESDD conclusions requiring compliance and conditions that must be fulfilled prior to approval and/or included in the project's legal agreements.

### ***Public Disclosure***

- 3.36 The E & S Specialist is responsible for preparing the E & S section of the project public disclosure document, which includes the Environmental and Social Review Summary (ESRS). The ESRS consists of the IIC's environmental categorization for the relevant project and the rationale for selecting the category, a summary of potential environmental and social impacts and risks and key mitigation measures for addressing these issues during implementation. The ESRS is sent to the Investment Officer for their submittal to the client for their approval prior to publication.
- 3.37 The IIC requires that the project public disclosure document be disclosed thirty (30) days before the IIC Board of Directors final approval for Category B and C projects and 120 days for Category A investments. In addition, ESIAs for Category A projects will be made available locally in the host country by the project sponsors, and will be made available to the general public as early as possible after they are obtained by the IIC over the course of the project ESDD, and in all cases 120 days prior to the final decision by the IIC Board of Directors.

### ***Board Approval***

- 3.38 The Board Report (or investment proposal) is a document prepared by the project team (under leadership of the Investment Officer) for consideration of, or review and approval by IIC's Board of Directors. The E & S Specialist prepares the E & S section of the Board report and provides the Additionality Officer with language to be incorporated into the development impact and additionality sections. The E & S sections of the Board Report should include the following: a summary with the environmental categorization of the project and a description of significant impacts, risks and respective mitigation and management measures and main development outcomes, as well as a detailed E & S review summary, which is an annex to the report. The Board Report will clearly distinguish the E & S outcomes that will be required as contractual covenant, and those outcomes or effects that are merely forecasted or expected, but do not constitute a contractual commitment of the client.

### ***Development Impact and Additionality Scoring (DIAS) System Input***

- 3.39 The IIC uses the DIAS to assess the expected development impact of its operations. The DIAS system (which has E & S indicators) estimates a transaction's expected development impact prior to its approval and throughout its life. Information on the DIAS is also included in the Board Report.
- 3.40 The E & S Specialist is responsible for providing the Additionality Officer with language on the E & S additionality of the project, which will be included in the development section of the Board report. The E & S Specialist will also provide the input needed in order to complete the environmental indicators of the DIAS, which includes the following:
- Level of the IIC's E & S additionality of the project;
  - Project's contribution to climate change mitigation/adaptation; and
  - Level of E & S performance of the project (before the IIC's intervention).
- 3.41 If technical assistance (TA) related to E & S improvements has been offered to the client, the E & S Specialist will also provide the Additionality Officer with language on the TA offered so that it can be included in the DIAS and the Board report.
- 3.42 Upon request, the Lead E & S Specialist will provide the Board of Directors with technical responses to questions regarding a project. The Lead E & S Specialist will also attend the meetings of the IIC Board of Executive Directors where investment projects are presented for Board approval, in order to respond to any technical questions regarding E & S issues.

### **Closing**

#### ***Investment agreement***

- 3.43 The E & S Specialist will work with the Investment Officer and the Project Attorney to finalize the clauses related to E & S aspects to be included in the investment agreement, covering all applicable compliance requirements including the final ESAP. The E & S Specialist will lead the negotiation of the ESAP and will be involved in negotiating other E & S aspects of the investment agreement with the

client. It is the responsibility of the E & S Specialist to ensure that E & S requirements in IIC legal instruments are not in contradiction with requirements made by any co-lenders participating, and will try to harmonize those requirements, whenever feasible.

### ***Disbursement***

- 3.44 After the legal agreements have been executed, the Investment officer and the disbursement team will be required to seek the E & S Specialist's clearance for approval of E & S deliverables, disbursements, client requested changes and other E & S related decisions. When this clearance is sought, the E & S Specialist will obtain and review the information and documentation provided for disbursement, confirming compliance with any E & S disbursement condition and providing the requested clearance.
- 3.45 If the E & S Specialist determines that there are E & S requirements the client is not complying with, the E & S Specialist, in collaboration with the disbursement team and the Investment Officer, will engage with the client to put in place a corrective action plan and determine what other remedial action might be required. In some cases, disbursements will be postponed until compliance with the relevant condition is met. In cases of serious non-compliances that are not satisfactorily addressed by a corrective action plan, the IIC will require that an independent expert E & S consultant be contracted to assist with recommending the appropriate remedial actions and subsequently certifying that the client has implemented the remedial actions. In all cases, the E & S specialist will determine whether the client has satisfactorily met the relevant E & S conditions included in the loan agreement.

### **Supervision Phase**

#### ***Supervision***

- 3.46 The IIC monitors the E & S performance of its investments as an integral part of its portfolio management program. In the legal agreements that document its operations the IIC agrees with the client on a regular program of supervision of the management of E & S risks and impacts against the agreed requirements, the frequency and extent of which will be commensurate with the category assigned to the project<sup>14</sup>. A key component of the supervision program will be the client's submission of an E & S Monitoring Report to the IIC at least annually. In addition, the IIC typically conducts annual site visits of IIC clients.
- 3.47 For direct investments, the IIC will periodically review the client's E & S Monitoring Reports and updates on the various E & S commitments included in the legal agreement including progress on implementation of the ESAP.

#### ***Ex-post Evaluation***

- 3.48 In addition to the DIAS, the Expanded Annual Supervision Reports (XASRs) is another tool that the IIC uses to assess the development impact of its operations. The XASRs evaluate a project's deliverables at

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<sup>14</sup> For Category C projects, an ESAP is not required and E & S management measures may be limited or inapplicable. Category C projects may not have any reporting requirements.

the time the project matures<sup>15</sup> and includes E & S performance indicators to assess the project's overall performance in these areas. In addition to the IIC's internal evaluation of deliverables, the IDB Office of Evaluation and Oversight (OVE) reviews and validates the XASRs annually. OVE is independent from IIC management and reports directly to the IIC's Board of Executive Directors.

- 3.49 The E & S Specialist is responsible for providing the Development Effectiveness Officer with the E & S information needed to prepare the XASRs. This information is based on the E & S Specialist's reviews of historical information, including the client's E & S Monitoring Reports and other monitoring information submitted to the IIC during the life of the loan. The XASRs are in line with the Good Practices Standards for the Evaluation of Private Sector Investment Operations developed by the Multilateral Development Banks Evaluation Cooperation Group.

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<sup>15</sup> The IIC follows the criteria of the Multilateral Development Bank Evaluation Cooperation Group (MDB-ECG) for determining when an operation matures, which can include factors such as when the project has been substantially completed, when the final disbursement has been made by the IIC, or others depending on the type of project.

## **IV. Financial Intermediary (FI) Investments**

### **Overview**

4.1 When the IIC invests in a financial intermediary such as a bank, investment fund or another specialized institution, such as a factoring company, a leasing company, or microfinance institutions the operation is categorized as an FI investment. In FI operations, there are typically multiple “sub-projects” to which the FI provides financing using the IIC funds. In these cases the IIC delegates to the FI the primary responsibility for assuring the requirements of this policy are met by the individual sub-projects. The IIC retains contractual rights to verify that the FI effectively implements an ESMS that achieves such compliance and reports thereon to the IIC. There is a separate procedure for FI investments which includes:

- A review of the FI’s portfolio to ascertain sector exposure and contextual risks;
- Categorization of the FI investment based on potential environmental and social risk;
- Requiring IIC’s FI clients to develop and implement an E & S management system (ESMS) that is commensurate with the level of E & S risks in its portfolio<sup>16</sup> and prospective operations that ensure sub-loan compliance with local laws and the IIC Sustainability Policy and apply the IIC Exclusion List; and
- Providing capacity building to IIC’s FI clients through IIC’s Environmental Risk Management Training program or similar programs acceptable to the IIC, which aim to help FIs develop and improve their ESMS<sup>17</sup>.

4.2 The steps of the E & S due diligence procedures for each stage of the FI investment process are described in the sections below.

### **Prospecting and Active Pipeline**

4.3 At this stage of E & S due-diligence the E & S team will carry out the following activities:

- Assign an E & S Specialist to the investment;
- Coordinate with other investors;

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<sup>16</sup> The term “portfolio” refers to the portfolio of sub-projects financed through the IIC investment, unless the IIC investment is not to be used for subprojects, but rather for other general uses, such as for example supplementary (tier 2) capital. In the latter case, the term “portfolio” refers to the bank’s overall portfolio.

<sup>17</sup> In transactions with microfinance institutions IIC will encourage and support the adoption of effective client protection practices. For this purpose, this training program will be expanded to include capacity building to support microfinance institutions to improve their client protection practices, following recognized industry standards, such as the Smart Campaign.

- Categorize the investment;
- Provide a preliminary indication of the client's E & S management capacity;
- Determine the nature and magnitude of potential impacts posed by the FI operation; and
- Determine additional information needs.

4.4 After the Credit Committee has decided whether to go forward, an E & S Specialist will be assigned, who will work with the Investment Officer during the entire investment process (during appraisal and the life of the loan). If other multilateral investors are involved, the E & S Specialists will ensure coordination of appraisal and disclosure and supervision requirements.

### ***Information Collection***

4.5 The E & S Specialist sends an initial questionnaire to the client designed to collect the information needed to categorize the FI investment according to the categories described below. Examples of the type of information requested include:

- Does the FI have an existing E & S management system for screening subproject risks and impacts?
- If so, does the ESMS cover the entire portfolio (e.g., is it applied only to certain size and or types of subprojects, and if not are there separate procedures for types/size of investments)?
- Has staff from the FI attended the IIC/IDB Environmental and Social Risk Management Training course or that of other lenders or investors?
- Provide a breakdown/description of the FI's current portfolio (type of project, sector, type of client, project size, location, sector etc.)
- Does the FI already have clients/projects in the pipeline for the Operation? If so, please share any relevant information on potential clients/projects.

### ***Categorization of FIs***

4.6 The IIC categorizes the FI operations as FI-1, FI-2 or FI-3 based on the following: investment type with the IIC, the potential sub-project E & S risks associated with the likely sector and the expected geographic or physical context and size of the sub-projects. In addition, the IIC considers the FI client's reputation and management capacity for implementing the Sustainability Policy requirements, the client's existing E & S policy and procedures, how well developed the local E & S regulation enforcement is, as well as the FI's track record in complying with and reporting on the E & S conditions of previous IIC or other MDB operations.

4.7 **FI-1** operations are those where the risk potential is high: the FI's current or future portfolio financed as part of the IIC investment has the potential to include Category A sub-projects as defined in Direct Investments above.

- 4.8 **FI-2** operations are those where the risk potential is considered medium: the FI's current or future portfolio is limited to Category B or C sub-projects.
- 4.9 **FI-3** operations are those where the risk potential is considered low: the FI's current or future portfolio is dominated by Category C and lower risk Category B sub-projects.
- 4.10 The screening criteria to determine the FI category is illustrated in Table 1.

Criteria	FI-1	FI-2	FI-3
Estimated relative risk of subprojects/portfolio from an E & S risk and impact perspective <b>and</b> a reputational risk perspective for both the FI and the IIC	High	Medium	Low
Subproject category	A	B	C
Example future or portfolio subproject	<ul style="list-style-type: none"> <li>• extractive sectors (e.g., oil and gas, mining, forestry/timber harvest)</li> <li>• new infrastructure</li> <li>• SMEs (high impact sectors)</li> </ul>	<ul style="list-style-type: none"> <li>• microfinance (high impact sectors)</li> <li>• SMEs (medium impact sectors)</li> <li>• housing (sensitive areas/locations)</li> <li>• trade (sensitive sectors)</li> <li>• infrastructure (rehabilitation)</li> </ul>	<ul style="list-style-type: none"> <li>• microfinance (low and medium impact sectors)</li> <li>• SMEs (low impact sectors)</li> <li>• retail</li> <li>• housing</li> <li>• trade</li> </ul>
Investment type examples	<ul style="list-style-type: none"> <li>• project finance</li> <li>• corporate loans</li> </ul>	<ul style="list-style-type: none"> <li>• corporate loans</li> <li>• refinancing</li> </ul>	<ul style="list-style-type: none"> <li>• general lending</li> <li>• refinancing</li> </ul>
Tenor	<ul style="list-style-type: none"> <li>• long term (5+ years)</li> </ul>	<ul style="list-style-type: none"> <li>• medium term (1 – 4 years)</li> </ul>	<ul style="list-style-type: none"> <li>• short term (&lt;2 years)</li> <li>• revolving credit</li> </ul>
Size of sub-loan	> US\$ 1 million	<US\$ 1 million - >US\$250,000	<US\$250,000
Management capacity required	High	Medium	Low

**Table 1. IIC Screening criteria to determine FI type**

4.11 The IIC applies FI investment requirements, described in Table 2 on the basis of the FI category as detailed in Table 1.

FI Type	FI-1	FI-2	FI-3
Requirements			
ESMS (PS1)	Yes <sup>18</sup>	Yes <sup>19</sup>	NA
Confirmation that IIC Exclusion List has been applied to all loans and investments	Yes	Yes	Yes
Documentation regarding compliance with host country EHS and labor requirements (OP-703, Directive B.2),(PS2)	All investments	All investments	All investments
Investment appropriate environmental documentation prior to subproject approval <sup>20</sup>	All investments	Higher risk investments	NA
IDB guidelines and World Bank EHS guidelines  PSs 2 -8 as applicable	Higher risk investments	Higher risk investments only	NA
IIC FI Training Course attendance or equivalent	Yes	Yes	Yes

**Table 2. IIC FI Requirements by Type of FI**

<sup>18</sup> FI-1 transactions require a robust ESMS that applies subproject screening against the IIC Exclusion List, compliance with host country regulations and applicable IDB policies and guidelines, IFC PSs and EHS Guidelines, requires Action Plans to ensure compliance and close gaps, if any, and establishes supervisory and contractual arrangements.

<sup>19</sup> FI-2 transactions require an ESMS that screens subprojects against the IIC Exclusion List, screening against high risk factors (i.e. biodiversity, resettlement, and indigenous people) and confirmation that host country regulations are being met.

<sup>20</sup> In the case of private equity funds with Category A subprojects, the fund manager is required to present the Category A subproject, including relevant documentation (e.g., an ESIA for greenfield projects or an environmental, health and safety (EHS) audit for existing operations/plants) to the IIC for approval prior to approval of the respective investment.

## **Structuring and Approval**

### ***E & S Due Diligence***

- 4.12 The E & S Specialist shall identify actions that the client would need to undertake to ensure adequately addressing management of E & S aspects of sub-loans including gaps in the clients E & S policies and procedures, skill and competencies in the E & S areas, and training of the FI's staff working on E & S issues. The IIC E & S Specialist will ensure that these elements are addressed in the client's ESMS.
- 4.13 For FI-1 operations, the IIC E & S Specialist will require that the client develop an ESMS action plan prior to first disbursement. The action plan should establish milestones regarding training and key steps in developing the ESMS. The basic E & S requirements (exclusion list, screening for local laws and regulations) should be implemented immediately by all FIs and no later than first disbursement. The E & S Specialist will work with the FI to develop the ESMS and will coordinate with the Investment Officer to determine if external consultants are needed to assist the client in developing an ESMS. For FI-2 and FI-3 operations, the FI will be required to have an ESMS implemented within 6 months of having attended the IIC Environmental Risk Management course or equivalent, which is also a contractual obligation. For FI-1 projects, the FI will be required to have an expansive ESMS implemented within 10 months after having attended the necessary Environmental Risk management training.
- 4.14 All requirements will be incorporated into the IIC loan agreement with the FI.

### ***Public Disclosure***

- 4.15 The E & S Specialist is responsible for preparing the E & S section of the project public disclosure document and submitting it to the Investment Officer for its submittal to the client for approval prior to publication.
- 4.16 The IIC requires that the project public disclosure document be submitted thirty (30) days prior to IIC Board approval for all FI projects.
- 4.17 The disclosure of subprojects by the FI clients will be subject to local regulations applicable to the FI. However, for FI-1 operations that are private equity funds, the client will be contractually required to ensure that the ESIA prepared for each Category A subproject has been made publicly available for at least 120 days prior to the final decision by the FI to invest in the project. This requirement will be reflected in the IIC investment agreement with the FI.

### ***Board Approval***

- 4.18 The Board Report (or investment proposal) is a document prepared by the project team (under leadership of the Investment Officer) for consideration of, or review and approval by IIC's Board of Directors. The E & S Specialist prepares the E & S section of the Board report and provides the Additionality Officer with language to be incorporated into the development impact and additionality sections. The E & S sections of the board report should include the following: a summary with the environmental FI categorization of the project and a description of any significant impacts, risks and mitigation strategies, main features of the ESMS, and main development outcomes. The Board report will clearly distinguish

the E & S outcomes that will be required as contractual covenant, and those outcomes or effects that are merely forecasted or expected, but do not constitute a contractual commitment of the client.

### ***Development Impact and Additionality Scoring (DIAS) System Input***

- 4.19 The IIC uses the DIAS to assess the expected development impact of its operations. The DIAS system (which has E & S indicators) estimates a transaction's expected development impact prior to its approval and throughout its life. Information on the DIAS is also included in the Board Report.
- 4.20 The E & S Specialist is responsible for providing the Additionality Officer with language on the E & S additionality of the project, which will be included in the additionality section of the Board report. The E & S Specialist will also provide the input needed in order to complete the environmental and social indicators of the DIAS, which includes the following:
- Level of the IIC E & S additionality of the project; and
  - Level of E & S performance of the project (before IIC's intervention).
- 4.21 If TA related the E & S improvements has been offered to the FI client, the E & S Specialist will also provide the Additionality Officer with language on the TA offered so that it can be included in the DIAS and the Board report.

### **Closing**

#### ***Investment agreement***

- 4.22 The E & S Specialist will work with the Investment Officer and the Project Attorney to finalize the clauses related to E & S aspects to be included in the investment agreement. If there are training requirements, these will be detailed in the investment agreement. The E & S Specialist will be involved in negotiating E & S aspects of the investment agreement with the FI client. It is responsibility of the E & S Specialist to ensure that E & S requirements in IIC legal instruments are not in contradiction with requirements made by any co-lenders participating, and will try to harmonize those requirements, whenever feasible.

#### ***Disbursement***

- 4.23 After the legal agreements have been executed, the Investment Officer and the disbursement team will be required to seek the E & S Specialist's clearance for approval of E&S deliverables, disbursements, client requested changes and other E & S related decisions. When this clearance is sought, the E & S Specialist will obtain and review the information and documentation provided for disbursement, confirming compliance with any E & S disbursement condition and providing the requested clearance.
- 4.24 If the E & S Specialist determines that there are E & S requirements the client is not complying with, the E & S Specialist, in collaboration with the Investment Officer and the disbursement team will engage with the client to put in place a corrective action plan and determine what other remedial action might be required. In some cases the disbursement will be postponed until compliance with the relevant condition is met. In cases of serious non-compliances that are not satisfactorily addressed by a corrective action plan, the IIC will require that an independent expert E & S consultant be contracted to assist with

recommending the appropriate remedial actions and subsequently certifying that the client has implemented the remedial actions. In all cases, the E & S specialist will determine whether the client has satisfactorily met the relevant E & S conditions included in the loan agreement.

### **Supervision phase**

#### ***Supervision***

- 4.25 The IIC monitors the E & S performance of its investments as an integral part of its portfolio management program. In the legal agreements that document its operations the IIC agrees with the FI client on a regular program of supervision of the management of E & S risks and impacts against the agreed requirements, the frequency and extent of which will be commensurate with the category assigned. A key component of the supervision program will be the client's submission of an E & S Monitoring Report to the IIC at least annually.
- 4.26 In the case of FI investments, the IIC will review the client's E & S Monitoring Report including progress on screening subprojects against the IIC exclusion list, compliance with national E & S laws and regulations, effectiveness of the E & S Management System developed, as well as compliance with IIC policies and guidelines (including IDB's policies and guidelines and IFC's performance standards and guidelines as applicable in accordance with the IIC Sustainability Policy).

#### ***Ex-post Evaluation***

- 4.27 In addition to the DIAS, the Expanded Annual Supervision Reports (XASRs) is one of the tools that the IIC uses to assess the development impact of its operations. The XASRs evaluate a project's deliverables at the time the project matures and includes E & S performance indicators to assess the project's overall performance in these areas. In addition to the IIC's internal evaluation of deliverables, the IDB Office of Evaluation and Oversight (OVE) reviews and validates the XASRs annually. OVE is independent from IIC management and reports directly to the IIC's Board of Directors.
- 4.28 The E & S Specialist is responsible for providing the Development Effectiveness Officer with the E & S information needed to prepare the XASRs. This information is based on the E & S Specialist's reviews of historical information, including the client's Annual E & S Monitoring Projects and other monitoring information submitted to the IIC during the life of the loan. The XASRs are in line with the Good Practices Standards for the Evaluation of Private Sector Investment Operations developed by the Multilateral Development Banks Evaluation Cooperation Group.

## **V. Technical Assistance (TA)**

### **Overview**

- 5.1 During the process of approval each TA activity is screened to ensure that the recipient company is not involved in prohibited activities included on the IIC Exclusion List. The IIC also ensures that the TA and advice provided to companies is consistent with the Sustainability Policy, host country laws and regulations and good international practice, such as IDB policies and guidelines and World Bank/IFC Industry Sector Guidelines (see section VII).

- 5.2 In addition, the IIC is proactive in delivering TA to complement existing or proposed projects. TA may cover developing support for effective management systems, obtaining certification under various quality schemes, and assisting clients with identifying and applying best practices. In particular, the IIC will seek to increase the technical assistance provided for third party certifications of soft commodities (e.g. agricultural products), such that clients involved in this sector may ensure that the supply chain is producing these commodities in an environmental and socially sustainable manner.
- 5.3 If there is a potential E & S risk element in the TA, the TA Officer in charge would be responsible for contacting the E & S team. The E & S team would then coordinate with the TA Officer to assure that the appropriate measures are taken to address and mitigate any environmental and social risks and impacts.

### **Supervision**

- 5.4 The IIC E&S specialist supervises the implementation of the E & S aspects of the relevant TA activities to ensure that the technical advice offered to TA clients is in line with the Sustainability Policy.

## **VI. Document Management Systems**

- 6.1 The E & S team will ensure that all project files and related e-mails are filed in the IIC's Document Management System (IICDOCs) and follow the naming conventions for the E & S files.

## VII. Reference and Supporting Documents

- 7.1 The IIC refers clients and partners to the following standards and guidance documents, which are applicable for compliance with the IIC Sustainability Policy:

### *Inter-American Investment Corporation*

- IIC Charter <https://idbinvest.org/en/download/4754>
- IIC Disclosure of Information Policy<sup>21</sup> <https://idbinvest.org/en/download/4756>
- IIC Operating Policy
- IIC's Environmental and Social Guidance Document<sup>22</sup> <https://idbinvest.org/en/download/6247>
- IIC Exclusion List <https://idbinvest.org/en/download/6248>
- Framework to Prevent and Combat Fraud and Corruption <https://idbinvest.org/en/download/4758>
- IIC Independent Inspection Mechanism (IIM)/Independent Consultation and Investigation Mechanism (ICIM) <https://www.iadb.org/en/mici>
- Corporate Governance Development Framework <http://cgdevelopmentframework.com/>

### *Inter-American Development Bank*

- Environment and Safeguards Compliance Policy <https://www.iadb.org/en/topics/sustainability/about-us>
- Disaster Risk Management Policy <https://www.iadb.org/en/topics/sustainability/about-us>
- Operational Policy on Indigenous Peoples <https://www.iadb.org/en/topics/sustainability/about-us>
- Operational Policy on Gender Equality in Development <https://www.iadb.org/en/topics/sustainability/about-us>
- Involuntary Resettlement Policy <https://www.iadb.org/en/topics/sustainability/about-us>

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<sup>21</sup> The environmental and social risk categories referred to in the IIC Disclosure of Information Policy (2004), Category IV, III and II/I are equivalent to Category A, B, and C, respectively.

<sup>22</sup> This document describes internal environmental and social review procedures and the application of the IIC Sustainability Policy in certain contexts.

- Sector guidance documents <http://www.iadb.org/en/topics/sustainability/tools-and-guidelines,1519.html> : Cement Manufacturing Guidelines: An Approach to Reconciling the Financing of Cement Manufacturing Plants with Climate Change Objectives; Landfill guidelines: An approach to support Climate Change – Friendly Landfill investments; Guidelines for Environmental Requirements for Oil and Gas Projects; Coal Fired Power Plant Guidelines; and Liquid and Gaseous Fossil Fuel Plant Guidelines

### ***International Finance Corporation***

- IFC's Performance Standards (dated January 2012) [https://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS\\_English\\_2012\\_Full-Document.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS_English_2012_Full-Document.pdf?MOD=AJPERES), which consist of the following:
  - Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
  - Performance Standard 2: Labor and Working Conditions
  - Performance Standard 3: Resource Efficiency and Pollution Prevention
  - Performance Standard 4: Community Health, Safety and Security
  - Performance Standard 5: Land Acquisition and Involuntary Resettlement
  - Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
  - Performance Standard 7: Indigenous Peoples
  - Performance Standard 8: Cultural Heritage
- The World Bank/IFC General Environmental, Health and Safety (EHS) Guidelines and the World Bank/IFC Industry Sector EHS Guidelines <https://www.ifc.org/wps/wcm/connect/554e8d80488658e4b76af76a6515bb18/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES>

7.2 The following sources of information provide guidance on good practices:

### ***Inter-American Development Bank***

- Biofuels Scorecard <https://publications.iadb.org/handle/11319/5453>
- Sustainable Tourism Scorecard <https://publications.iadb.org/handle/11319/5439>
- Incorporating Ecosystem Service Analysis in the Project Cycle
- Various IDB publications including good practice notes, handbooks, and related materials providing guidance on and examples of good international practice <http://www.iadb.org/en/publications/publications,4126.html>

### ***International Finance Corporation***

- Various IFC publications including good practice notes, handbooks, and related materials providing guidance on and examples of good international practice

[http://www.ifc.org/wps/wcm/connect/publications\\_ext\\_content/ifc\\_external\\_publication\\_site/publications](http://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications)

### *Other*

- International Organization for Standardization (ISO) Standard for Environmental Management Systems (ISO 14001) <http://www.iso.org/iso/home/standards/management-standards/iso14000.htm>
- ISO Standard for Environmental Management Systems (ISO 14005:2010) <https://www.iso.org/standard/43208.html> – Guidelines for the phased implementation of an environmental management system, including the use of environmental performance evaluation
- ISO Standard for Social Responsibility (ISO 26000) – presents general guidance <https://www.iso.org/iso-26000-social-responsibility.html>
- Standard for Occupational Health and Safety Management Systems 18001 (OHSAS 18001) [http://www.nsf.org/business/management\\_systems\\_registration/ohsas18001.asp](http://www.nsf.org/business/management_systems_registration/ohsas18001.asp)
- Standard for Social Accountability (SA 8000) <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937> – an auditable social certification standard for socially acceptable practices in the workplace, across multiple industrial sectors, that addresses issues including child labor, forced and compulsory labor, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours and remuneration <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937>
- Extractive Industries Transparency Initiative <https://eiti.org/standard/overview> - a global standard fostering transparency and better governance of natural resources
- Guide on Resource Revenue Transparency (International Monetary Fund) <http://www.imf.org/external/np/fad/trans/guide.htm>
- Smart Campaign <http://www.smartcampaign.org/> – a global effort to unite microfinance institutions around a common goal: to keep clients as the driving force of the industry, protecting them by being transparent in the pricing, terms and conditions of all products through the implementation of client protection principles

**Potential E & S Issues to be addressed in the E & S Documentation**

In the context of the business of the Project, the Assessment documentation will address, where applicable, the following issues:

- Assessment of the baseline environmental and social and environmental conditions
- Consideration of feasible environmentally and socially preferable alternatives
- Requirements under host country laws and regulations, applicable international treaties and agreements
- Protection of human rights by acting with due diligence to prevent, mitigate and manage adverse human rights impacts
- Protection of and community health, safety and security (including risks, impacts and management of project's use of security personnel)
- Protection of cultural property and heritage
- Protection and conservation of biodiversity, including endangered species and sensitive ecosystems in modified, natural and critical habitats, and identification of legally protected areas
- Sustainable management and use of renewable natural resources (including sustainable resource management through appropriate independent certification systems)
- Use and management of dangerous substances
- Major hazards assessment and management
- Labor issues (including the four core labor standards), and occupational health and safety
- Fire prevention and life safety
- Socio-economic impacts
- Land acquisition and involuntary resettlement
- Impacts on affected communities, and disadvantaged or vulnerable groups
- Impacts on indigenous peoples, and their unique cultural systems and values
- Cumulative impacts of existing Projects, the proposed Project, and anticipated future Projects
- Consultation and participation of affected parties in the design, review and implementation of the Project
- Efficient production, delivery and use of energy
- Pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions) and solid and chemical waste management