
**A
COMMON FRAMEWORK
FOR
ENVIRONMENTAL ASSESSMENT**

A Good Practice Note

**MULTILATERAL FINANCIAL INSTITUTIONS
WORKING GROUP ON ENVIRONMENT**

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A Common Framework for Environmental Impact Assessment (EIA)

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Abbreviations and Acronyms

AfDB	African Development Bank
ADB	Asian Development Bank
BDI	Bilateral Development Institution
CSO	Civil Society Organization
EA	Environmental Assessment
EAP	Environmental Action Plan
EBRD	European Bank for Reconstruction and Development
ECB	European Chemical Bureau
ECA	Export Credit Agency
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMP	Environmental Management Plan
ESMP	Environmental and Social Management Plan
ESIA	Environmental and Social Impact Assessment
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FI	Financial Institution
IAIA	International Association for Impact Assessment
IDB	Inter-American Development Bank
IFC	International Finance Corporation
MFI	Multilateral Financial Institution
MFI-WGE	Multilateral Financial Institutions – Working Group on Environment
NGO	Non-governmental Organization
NIB	Nordic Investment Bank
OECD-DAC	Organization for Economic Cooperation and Development – Development Assistance Committee
PSIA	Poverty and Social Impact Assessment
POPs	Persistent Organic Pollutants
SA	Social Assessment
SME	Small and Medium Enterprises
TOR	Terms of Reference
UNECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization

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PREFACE

- Overview** The Multilateral Financial Institutions Working Group on Environment (MFI-WGE) has developed a Common Framework for environmental assessment. This Common Framework is intended as a note on good practices, promoting convergence among MFIs on the institutional requirements, processes, and practices for both public and private sector projects.¹
- Objectives** The Framework responds to requests both from borrowing countries and from donors for more consistency in the essential elements of MFI practices. It is intended to simplify and facilitate communication with borrowers and encourage collaborative capacity building, and in so doing to reduce transaction costs for borrowers and increase development effectiveness. Preparation of this document has also provided an opportunity for collaborating institutions to clarify the essential elements of good practice.
- Scope of Work** Environmental assessment is considered to include: (i) project level Environmental Impact Assessment (EIA), (ii) strategic environmental analyses (e.g. country environmental analysis, regional assessment, sectoral assessment, and strategic environmental assessment) and (iii) environmental auditing. The first stage of this work has focused on EIA and Environmental Audits, and guidance on other tools is being added as it becomes available.
- A Cooperative Process** The work on a Common Framework builds upon a number of longstanding as well as recent activities and agreements among members of the MFI-WGE. These include:
- The work of environmental managers and specialists from MFIs who have held regular meetings since the early 1990s;
 - A conference convened by the International Finance Corporation (IFC) in April 1999 where representatives from thirty-four MFIs discussed closer cooperation in areas of environment;
 - An institutional mapping exercise including both private and public sector institutions, which broadly identified differences in environmental requirements among development banks, bilateral development agencies and export credit agencies;
 - Identification of initial elements of Good Practice for Institutions completed by the MFI-WGE in September 2000;
 - A decision reached at the December 2001 meeting of the MFI-WGE on the next steps for developing and reaching agreement on a Common Framework for EIA and a request for a draft document; and²

1 The Bilateral Development Agencies (BDIs) and Export Credit Agencies (ECAs) are also considering ways to improve the sustainability of projects which they finance. In the case of the bilaterals, harmonization/convergence is being led by the Development Assistance Committee of the OECD (OECD-DAC), which also has a working group that involves the participation of ECAs.

2 The note also takes account of a formal request in April 2001 from the Development Committee of the World Bank, representing its shareholders and those of most other MFIs. Noting that “aid recipients

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- “A Common Framework: Converging Requirements of Multilateral Financial Institutions – 1. Environmental Impact Assessment” (January 2003) was issued in English and French at the High Level Forum on Harmonization held in Rome in February 2003. This document was also posted on the harmonization website maintained by the World Bank at:
<http://www1.worldbank.org/harmonization/romehlf/>

Application

Agencies that subscribe to the Common Framework are encouraged to share it with their borrowers as a general orientation to agreed good practice; and where clients so request, it can be used as the basis for capacity building. This document does not supersede the policies of participating institutions, and the specific requirements of individual financial institutions are made available through electronic links that are attached to relevant sections of this report.

A Work in Progress

This exercise is a work in progress. There will be additional sections added to the Common Framework, as work progresses. The MFI-WGE will also update information as additional work is undertaken.

cite differences in donor operational policies and procedures as the single most important impediment to the effectiveness of external development assistance,” the Development Committee called for MFIs to harmonize requirements as one way of reducing the transaction costs of development assistance. Three priority areas were identified for work on harmonization: procurement, financial management, and environmental assessment.

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I. INSTITUTIONAL POLICIES AND PROCEDURES

To ensure that internationally financed projects are environmentally and socially sustainable, each MFI should give consideration to:³

- Adopting an environmental and social policy and procedural framework appropriate to its mandate;
- Establishing a systematic project review procedure that:
 - States clearly the requirements of the MFI;
 - Describes the process used by the staff of the institution or by its consultants to review the environmental and social aspects of a project; and
 - Defines what project-related information is required to enable the institution to determine compliance with host country requirements and with the requirements of the financing institution;
- Stating its requirements for collecting and submitting information at different stages of the project cycle;
- Ensuring that projects, at a minimum, comply with host country requirements for the environment, health, safety and social issues;
- Adopting guidelines suited to the mandate of the institution on public consultation and the dissemination of related information;⁴
- Ensuring that projects conform to global conventions that borrowing countries have ratified;
- Including compliance with environmental and social requirements in project legal agreements and contractual agreements, where appropriate;
- Requiring that projects be supervised and monitored to ensure continued adherence to agreed measures; and
- Providing adequate management commitment, capacity, and resources to implement environmental and social policies and procedures.

All participating agencies are encouraged to put these measures in place as a first step in establishing an environmental assessment framework.

³ Taken from: MFI-WGE document: Institutional Good Practice, 2000.

⁴ It is generally recognized that confidential business information will not be disclosed.

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II. ENVIRONMENTAL IMPACT ASSESSMENT (EIA)

A. THE ENVIRONMENTAL IMPACT ASSESSMENT PROCESS

Introduction

Overview Environmental Impact Assessment is one form of environmental assessment that focuses on the impacts of proposed development projects. The text that follows describes the EIA process and the contents of an EIA report; it also provides electronic links to the relevant websites. This work is intended as a general overview for use by institutions, their clients, and stakeholders in projects. It does not supersede individual agency policies, procedures and practices, which are a function of the mandates of each institution.

Coverage The term environment covers the physical, biological, and social interactions surrounding a specific activity, such as a project. The project both transforms its receiving environment and is affected by it. The EIA is a process through which such interactions are analyzed, evaluated and acted upon, throughout the project cycle, from the design stage to construction, operation and decommissioning (if applicable).

Social Issues There is considerable diversity among MFIs in their mandates and approaches to dealing with social issues in the EIA process. Most institutions routinely consider social impacts that are mediated by the environment such as the human impacts of water pollution, and many also consider a range of physical/biological impacts on directly affected groups through comprehensive Environmental and Social Impact Assessments (ESIA); for example impacts on downstream water supply, displacement, and adverse impacts on local communities or vulnerable groups. Other agencies use separate social assessments (SA) to identify adverse social impacts and promote other social goals, such as social inclusion or poverty reduction.

Beyond EIA Most operations financed by development institutions do not require a full EIA, as the nature, location, scale, or significance of the impacts does not justify a full assessment. Further work is proposed by the MFI-WGE to develop a common understanding of assessment tools for such projects, such as rapid field assessment methods or initial environmental examinations. In addition, further work will be undertaken to develop common approaches for strategic assessments and cumulative impact assessments.

Co-financing In cases of co-financing, lending institutions and their borrowers or sponsors are encouraged to agree upon a single EIA process and unified documentation requirements, in order to avoid delays and duplication of work.

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The EIA Process

Definition EIA is a process for examining the environmental and social consequences,⁵ both beneficial and adverse, of a proposed activity, and for incorporating appropriate measures to address them into project design and implementation.⁶ The EIA process is designed to provide decision-makers and stakeholders with adequate information to manage responsibly the environmental, and often social, consequences of their actions. In EIA, attention to impacts and issues is selective and strategic. In order to determine priorities for attention, projects with significant impacts and/or sensitive issues normally consider both technical information provided by qualified specialists and the views of key stakeholders,⁷ including affected groups.

Accountability Project-specific EIAs are generally prepared by the borrower and reviewed both by appropriate national agencies and by international financing institutions. Financial institutions (FIs) may provide help and guidance to borrowers in understanding their obligations and requirements regarding the EIA process. FIs also review documents or assessment systems to ascertain whether they meet agency requirements and will achieve their intended results.

Objectives⁸ The objectives of EIA are to:

- Ensure that direct and indirect environmental and social impacts are identified and addressed;
- Evaluate alternatives to the proposed project, including the no action or without project alternative;
- Anticipate and avoid, minimize or offset the significant adverse physical, biological and social impacts of proposed development operations;
- Protect the productivity and capacity of natural systems and the ecological processes that maintain their functions;
- Promote development that is environmentally and socially sustainable and that optimizes resource use, and
- Incorporate environmental and social measures fully into project design and execution.

⁵ Depending on the mandate and procedures of MFIs, environmental and/or social impacts can also be assessed through other instruments such as environmental audits, social assessments and the like.

⁶ Adapted from OECD, 1992.

⁷ Key stakeholders include project proponents, government officials, directly affected groups, and other interested parties such as Civil Society Organizations (CSOs) and Non-governmental Organizations (NGOs).

⁸ Adapted from International Association for Impact Assessment (IAIA). 1999.

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Steps in the EIA Process

The EIA process typically involves the following steps:⁹

Screening	To determine whether or not a proposal should be subject to a full EIA or whether additional inquiry is needed to make this decision. Many agencies categorize projects at this stage to reflect the significance of potential impacts or risks that a project might present and to identify the level of environmental analysis and institutional resources required for the project.
Scoping	To identify the issues and impacts that are likely to be important and to establish terms of reference for EIA in consultation with the borrower and key stakeholders. The nature and extent of work required should be proportional to the project's impact and risk.
Examination of Alternatives	To establish the preferred or most economically, environmentally, and socially sound option for achieving project objectives.
Impact Analysis	To identify and predict the likely environmental, social and other related impacts of the proposal and evaluate their scale and significance, taking account of both technical information and stakeholder views.
Impact Mitigation and Management	To determine the measures necessary to avoid, minimize or offset significant adverse impacts and, where appropriate, to incorporate these into a management plan or management system.
Preparation of an EIA Report	To document clearly and impartially the impacts of the proposal, the proposed measures for mitigation, the significance of residual impacts, and the concerns of communities affected by the proposal and other interested parties.
Information Dissemination and Consultation	To make the EIA results available in a timely manner and in location(s), format(s) and language(s) that allow relevant stakeholders to form an opinion and comment on the proposed course of action. ¹⁰
EIA Review and Approval	Undertaken by the borrower and financing agency to determine whether the draft EIA report provides a satisfactory assessment of the proposed development activity and contains the information required for decision-making. Deficiencies are discussed with EIA report preparers and actions are taken to address deficiencies. As appropriate, the EIA report is provided to relevant authorities for approval, publi-

⁹ These steps are not necessarily sequential, and may depend on the nature of the project. For example, EIA findings should influence project design throughout the preparation process.

¹⁰ Consideration should be given, where relevant, to the provisions of the Aarhus Convention, which includes provisions for public consultation as part of the project preparation process. MFIs should ensure that projects in countries where the convention applies meets these provisions, and in other cases use them as guidance. [Aarhus, 1998: Convention On Access To Information, Public Participation In Decision-Making And Access To Justice In Environmental Matters.](#)

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cation, and dissemination.

Incorporating EIA Findings into Project Design

To ensure that the timing and sequencing of mitigation actions are fully reflected in project design, financial costs, monitoring and reporting measures, and in legal and procurement documents where appropriate.

Follow Up

To determine whether the terms and condition of approval are met; to monitor the effectiveness of mitigation measures; in case of major changes in scope, to conduct any necessary supplemental environmental assessments;¹¹ and, where required, to propose remedial measures and/or undertake audits and/or process evaluations to optimize management. This may include provisions to conduct additional consultations during the implementation phase of the project.

Contents of an EIA Report

The EIA focuses on important issues, and reporting may be customized to particular problems. However, a full EIA report typically includes the following sections.¹²

Executive Summary

A highlight of the main findings and recommended actions of the EIA related to the operation's environmental and social feasibility.

Project Description

A concise description of the proposed operation, including maps of the project site and area of influence.

Policy, Institutional and Legal Framework

A discussion of the policy, institutional and legal environmental and social framework associated with the project, including any project specific legal (e.g., concession contracts, etc.) or other requirements.

Baseline Data

A description of the existing environmental and social conditions relevant to project decision-making, both at the proposed project site(s)/location(s) and within its area of influence.

Impacts and Risks

An analysis of direct and indirect environmental and social impacts and risks, including benefits. Evaluation of the quality of available data and key data gaps.

Analysis of Alternatives

A summary description and evaluation of the alternatives considered, the rationale for selecting the proposed alternative, and a description of its impacts.

¹¹ A major change is one that materially alters or fundamentally affects the project's purpose (immediate objectives), components, costs, benefits, procurement, or other implementation arrangements as approved by the Board. All major changes in scope must be screened for environmental significance, classified in accordance with the classification procedure of an institution, and an environmental assessment of the changes undertaken.)

¹² Adapted from IDB/PRI 2000 and World Bank 1999b.

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Recommendations	Options and recommendations to prevent, avoid, reduce, mitigate, eliminate, or compensate for any adverse impacts of the selected alternative.
Management Plan (MP)	Mechanisms to incorporate these recommendations into the project. This includes the schedule, assignment of responsibility and budgets for the environmental and social impact management measures. [See Section IB for information on the preparation of environmental management plans].
Capacity Building	Provisions for capacity building incorporated into the management plan when institutional capacity is not sufficient to carry out the key activities.
Monitoring	The monitoring, reporting and evaluation of requirements during the execution of the operation and thereafter.
Record of Consultation	A record of the process and a summary of the results of consultation with affected groups.

Pending Issues

There are several impact assessment practices that are not common to all MFIs. These include:

- The analysis of cumulative impacts, that is, the combined impacts of a number of similar projects implemented over a period of time;
- The treatment of induced impacts—secondary or delayed impacts—outside the immediate project area; and
- The analysis of associated facilities (such as transmission lines in a power project) or related projects (construction of access roads in a major infrastructure project).

Further work is anticipated on these issues with the aim of reaching agreement on whether and how they should be incorporated into the Common Framework.

Electronic Links to Agency Requirements for EIA

African Development Bank (AfDB):

[Environmental Policies, Procedures and Guidelines](#), including EIA procedures for public and private sector (in English and French)

Asian Development Bank (ADB):

[Environment Policy](#)
[Operational Manual F1 Environmental Considerations in ADB Operations](#)
[Environmental Assessment Guidelines \(2003\)](#)

European Bank for Reconstruction and Development (EBRD):

[Environmental Policy](#)
[Environmental Procedures](#)
[Environmental Impact Assessments](#) (examples)

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European Union (EU): [Directive 85/337/EEC](#)

Inter-American Development Bank (IDB):
[Fundamentals of Environmental Impact Assessment](#)

Nordic Investment Bank (NIB):
[Environmental Policies and Procedures](#)

World Bank (WB):
Policy on Environmental Assessment
[OP/BP 4.01](#)
[Environmental Assessment website](#)
[Environmental Assessment Sourcebook](#)

Resources

[UNECE Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters](#)

[2001 EU EIA screening guidelines](#)
[2001 EU EIA screening checklist](#)

[2001 EU EIA scoping guidelines](#)
[2001 EU EIA scoping checklist](#)

[2001 EU EIA review guidelines](#)

[1999 EU EIA guidelines on assessment of cumulative impacts](#)

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B. ENVIRONMENTAL AND SOCIAL MANAGEMENT PLANS

Introduction

Objectives	Environmental and Social Management Plans (ESMPs) or Environmental Action Plans (EAPs) are prepared as an integral part of an EIA process or as a stand-alone document fulfilling the requirements of the review. ¹³ They describe the mitigation and enhancement measures and monitoring requirements agreed during the environmental assessment and review process that are to be carried out in subsequent stages of the project.
Coverage	ESMPs describe the institutional arrangements and capacity building needed to carry out required mitigation and enhancement measures and put appropriate monitoring programs in place, covering both negative and positive impacts. ESMPs outline responsibilities for public consultation and disclosure, and describe mechanisms for feedback and remedial action. They also indicate the costs of these activities.
Timing of Preparation	The draft ESMP is reviewed and agreed before project preparation is completed, and the provisions of ESMPs are incorporated into the relevant project agreements between the financing agency and the borrower or sponsor. If operational activities are not well defined at this stage, the borrower or sponsor ensures that a revised ESMP is prepared at the beginning of the implementation period and that appropriate provisions are incorporated into project contractual agreements.
Consultation	Public consultations typically improve the design of mitigation and monitoring measures, and should be considered in the preparation of ESMPs. Communities or independent third parties also may be asked to play a role in monitoring the implementation of the ESMP to ensure accountability.
Adapting to Change	ESMPs are used and modified, as necessary, during project implementation. Specific mechanisms for corrective action—based on feedback from inspection and monitoring programs and from public consultations—are included in the ESMP.

Contents of an ESMP

Summary of Potential Impacts	Summarizes the potential environmental and social impacts that are to be mitigated. In addition, summarizes enhancement measures.
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¹³ Taken from: MFI-WGE document: Institutional Good Practice, 2000.

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<i>Planned Mitigation Measures</i>	Describes the planned mitigation measures in relation to the impacts and conditions under which they are required; includes environmental assessment process to be conducted in case of major changes in project scope; and sets out clear and achievable targets and indicators for the level of mitigation to be achieved.
<i>Monitoring Programs and Parameters</i>	Provides environmental performance indicators, parameters to be measured, methods to be used, sampling locations and frequency of measurements, detection limits and thresholds to signal the need for corrective actions.
<i>Public Consultation</i>	Provides a plan for public consultation during the preparation and implementation of the ESMP. The degree of consultation depends on the project and local situation, but normally includes information available in a timely manner and in location(s), format(s) and language(s) that allow relevant stakeholders to form an opinion and comment on the proposed course of action. This process includes: (i) notification of local communities when project activities are going to take place, how monitoring will occur, and proposed mechanisms for feedback; and (ii) disclosure of monitoring program results and consultation on these findings.
<i>Mechanisms for Feedback and Adjustment</i>	Outlines the procedures and mechanisms that will be used to modify and reshape the project in the light of monitoring results and the findings of consultations. A feedback mechanism should be included in the ESMP to provide for modifications to the project.
<i>Institutional Arrangements for Mitigation and Monitoring</i>	Defines the organizational responsibilities to ensure implementation of the ESMP and the arrangements for information flow and for coordination between agencies. It also specifies the organizations and individuals that will be responsible for these tasks including enforcement of remedial actions. Describes institutional responsibilities for staffing, training, and the provision of counterpart funding.
<i>Measures for Capacity Building</i>	Proposes any institutional strengthening necessary to achieve these tasks, including the formation of new structures responsible for monitoring and reporting, as required; the recruitment of new staff and consultants; and associated training. A third party may be contracted for monitoring activities where the capacity of local authorities is limited.
<i>Responsibilities for Reporting and Review</i>	Specifies reporting responsibilities of contractors, borrowers/sponsors, local authorities, and lenders; and clarifies who prepares, submits, receives, reviews, and approves key reports. ¹⁴ The structure, content, and timing of reporting should be specified and should facilitate supervision by the financing agency.

¹⁴ Recipients of such reports include those responsible to ensure timely implementation of the ESMP.

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Implementation Schedule and Work Plan Provides details on the timing, frequency, and duration of mitigation measures; and the arrangements for monitoring and reporting. The responsibilities and requirements of contractors should be clearly described and integrated into bidding/contract documents to ensure that contractors are clear about their obligations. Where supervision identifies inadequacies in implementation of agreed actions, such documents provide a basis for enforcement and reporting.

Cost Estimates All costs for implementation of the ESMP, including operation and maintenance, should be included. A budgeting plan should be attached that indicates how those costs will be met.

Environmentally Responsible Procurement When mandated by the government or financing institution, a description is provided in the EIA of the measures that need to be taken into account to facilitate environmentally responsible procurement.

Supervision of ESMP

ESMP Supervision ESMP supervision ensures timely detection of conditions requiring remedial action. Successful supervision requires a mechanism to: (i) determine whether project implementation is in conformity with the ESMP, (ii) identify problems; and (iii) develop plans for corrective action.

Responsibilities The following activities are the responsibility of the executing agency or sponsor, overseen by the funding agencies:

- The implementation of the ESMP;
- Site visits and oversight of monitoring;
- Coordination and consultations with government agencies, local communities, NGOs, and stakeholders concerned with the environmental and social aspects of the project; and
- Proposals and follow up on remedial actions.

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C. TERMS OF REFERENCE FOR EIA

Preparing the Terms of Reference

<i>Accountability</i>	The borrower or sponsor is responsible for preparing the Terms of Reference (TOR) and contracting the EIA team. Financing agency(ies) support and oversee this process to meet government and agency requirements and quality standards.
<i>Integration of EIA and Project Feasibility Studies</i>	The EIA is often prepared as an integral component of the project feasibility analysis, with various specialists providing inputs.
<i>Role of Consultants</i>	Where the EIA will be carried out by consultants, they should be encouraged to propose modifications to the TOR so that it can benefit from their knowledge and experience.
<i>Appropriate Budget</i>	The budget for the EIA should be commensurate with factors such as the complexity of the project, data collection and analysis needs, and the significance of impacts and risks.

TOR Scope and Coverage

<i>Scoping</i>	Scoping is a process for determining the environmental and social issues to be addressed, the information to be collected, and the level of analysis required to assess the impacts of a project. Scoping involves initial discussions with project beneficiaries, affected groups or communities, and other groups that may have an interest in the proposed project.
<i>Timing</i>	Scoping should be undertaken at the earliest possible time in the project identification and preparation process.
<i>Coverage</i>	<p>The TOR defines the issues to be addressed, the responsibilities or obligations of the assessment team, and the expected outputs. The TOR should cover:</p> <ul style="list-style-type: none">• Brief description of the project;• Project context;• Objectives and scope of the EIA;• Role of the consultant and other parties;• Applicable laws, policies, standards and guidelines for the EIA;• Institutional arrangements for preparation of the EIA;• Key tasks to be carried out by the consultant including, as required:<ul style="list-style-type: none">○ Delineation of the area(s) to be covered by the environmental assessment;○ Brief description of the key environmental and social issues to be analyzed;○ Alternatives to address these problems that the consultants are required to investigate;

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- Establishment of baseline data and information to be collected;
 - Proposed mitigation measures and monitoring programs;
 - Environmental and social management plan (ESMP); and
 - A schedule for implementing the ESMP.
- Estimates of inputs (personnel and budget) required for preparation of the EIA;
 - Public consultation and information disclosure expectations;
 - Expectations regarding the work plan, including original data collection and field work, and other arrangements for carrying out the environmental assessment; and
 - Timeline for preparation of the EIA.

Scheduling of Work

Most financing institutions require that the EIA reports be available in draft prior to project appraisal. Some agencies require that they be fully disclosed, discussed, and integrated into project findings before project preparation is complete. These expectations, and their implications for the sequencing of other work, should be clear in the TOR.

Team Composition, Work Plans and Budget

EIA Team

EIA reports are generally prepared by an interdisciplinary team of specialists drawn from various disciplines. The size and composition of the team will be based on the location, type, and magnitude of the project. The TOR may specify team composition or be proposed by the consultants.

Team Leader

The team leader qualifications should be specified in the TOR. The team leader should have team management skills, an excellent understanding of the administrative, procedural, and technical requirements of the EIA process. Experience with the type of development and its associated environmental impacts is highly desirable.

Work Plan

The TOR normally requires that a detailed work plan be developed by the consultants. The work plan defines the environmental and social issues to be investigated and breaks them into tasks, assigns the tasks to EIA team members, determines schedules for completion of tasks, and prepares the budgets required by each task according to its schedule. The financing agency and project sponsor comment on and approve the work plan proposed.

Access to Sites, Counterpart Support

The TOR should clearly specify that the consultant will have access to the study area, be able to take photographs, and to make drawings and maps as necessary for the EIA. It should also provide clear information on the type and level of counterpart support to be provided, including office space, use of vehicles, and participation of counterpart staff on the team and in data collection.

Reporting Requirements

The TOR should provide guidance to the consultant concerning reporting requirements, including the preparation of the summary EA report, EIA language(s), report and data format(s), map type(s)

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and scale(s), and media for production and dissemination (electronic, paper, internet), as well as the number of copies to be made during the various phases of the study.

Payment Schedule

Payments to the consultants should be tied to the completion of tasks such as submission and acceptance of work plan, and interim, draft final, and final reports. For tasks that extend beyond the time frame of the EIA, such as monitoring or follow-up activities required by the client, sufficient budget and payment scheduling must be provided.

Resources

ADB: [Environmental Impact Assessment for Developing Countries in Asia](#), Volume 1 – Overview.

OECD: The [Project on Coherence of Environmental Assessment in International Bilateral Aid](#) (1999) developed procedural guidelines that include a framework TOR for environmental assessment of development assistance projects. The guidelines were prepared for use by desk officers and environmental specialists of bilateral aid agencies, other operational staff of in-country units (embassies, posts, or missions), and implementing agencies within developing countries. The framework TOR is, however, also applicable to the environmental assessment requirements of many MFIs.

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D. EA FRAMEWORKS FOR PROJECTS WITH MULTIPLE SUB-PROJECTS

Overview

Scope	EA frameworks are used in a broad spectrum of projects where subcomponents are not fully identified at approval. These range from single sector projects with strong technical agencies (energy or transport, for example) that routinely deal with environmental and social impacts in their own projects; to multi-sector projects implemented by non-technical agencies (provincial planning boards, municipal governments, special purpose funds, or communities, for example) that may have little prior experience in addressing the environmental and social impacts of investments that they support. ¹⁵
Purpose	An EA framework may be prepared for projects that have multiple subprojects or subloans, and the nature and/or location of these subprojects is not known at the time of approval.
Objectives	An EA framework, prepared by the project borrower or sponsor, describes the measures to be adopted so that project implementation is consistent with national laws and the requirements of the financing institution(s).
MFI Assessment	The participating MFIs: (i) assess the the framework and the procedures it recommends to ensure that they are appropriate given the circumstances and that they conform to MFI requirements; and (ii) evaluate the capacity of the intermediary and/or implementing institutions to identify, assess, and mitigate adverse environmental and social impacts. This should include a review of the institutions' previous experience with similar projects.
Assessment Implications	This assessment of capacity and track record provides the basis for determining the type of activities eligible for financing under the project, the capacity building required, and the type of oversight that will be applied to subprojects, including requirements for prior review and agreement.
Project Classification	Projects with multiple subloans or multiple subcomponents are normally classified and processed in accordance with the most significant impacts anticipated by the types of activities to be supported by the project.

¹⁵ Projects using financial entities such as banks for onlending can fall at any point along this spectrum.

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Preparing an EA Framework

Contents and Coverage

An EA framework typically describes:

- Type of subprojects likely to be proposed for financing and the potential scale and impact of such activities—both individually and cumulatively;
- Mechanisms to satisfy country and lending agency requirements for assessment and mitigation—including mechanisms for preparation of EIAs, environment management plans, and other action plans as required;
- Proposed institutional arrangements for screening and classifying subcomponents, consultation and disclosure activities, evaluating EIAs and mitigation plans, and overseeing implementation;
- Capacity of implementing agencies to carry out these actions and proposed capacity building measures as required; and
- Monitoring and reporting systems, including mechanisms for periodic review and adjustment during implementation.

Consultation and Disclosure

Consultation and disclosure practices vary by financing institution, but normally an EA framework is disclosed by the sponsor and discussed with key stakeholders prior to project approval, in order to ensure that proposed mechanisms are adequate and that affected stakeholders know what is proposed and have a chance to comment.

Operational Manuals

Operational manuals provide guidance to agencies on implementing an EA framework. If an operational manual contains the same information as a safeguard framework it may be used in lieu of a separate framework document. The assessment of whether the operational manual can serve as a safeguard framework is made by a qualified technical specialist.

Role of the Financing Institution

Evaluating the EA Framework

The financing institution evaluates the proposed mechanisms for identifying and addressing adverse impacts, to ensure that they are appropriate given the circumstances and that they conform to MFI requirements; the financing institution also assesses the capacity of implementing agencies to carry them out.

Implications Where Capacity is Strong

Where country systems and implementing agencies are strong, and have a demonstrated track record of managing expected environmental and social impacts appropriately, financing institutions are able to rely more fully on country systems and implementing agency capacity and procedures. In such projects, the scale and impact of subprojects are often larger since capacity to manage them is already in place.

Implications Where Capacity is Limited

Where country systems are weak and/or agencies are new to environmental impact and social impact assessment and mitigation, financing agencies normally support activities that do not have significant adverse impacts. This not only helps avoid

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adverse environmental and social impacts, it also helps to accelerate project start-up, give time for capacity building, and provide the experience needed to design appropriate systems and procedures for more ambitious activities.

Prior Review and Approval

Where capacity is strong, prior review and approval of subprojects may be reserved for only a limited number of high impact subprojects. Where capacity is weak, the lending institution typically signs off on all subcomponents with important environmental or social impacts before they are eligible for financing.

Supervising the Framework

An EA framework requires regular supervision by appropriate technical specialists and benefits from periodic review and adjustment.

Where Capacity is Strong

Technical staff typically supervise sub-projects with safeguards-related impacts on a sample basis, with a view to assessing both their impacts and the adequacy of mechanisms built into project design to identify, assess, and address them.

Where Capacity is Limited

Regular oversight of all sub-projects with important environmental and social impacts is required.

Special Considerations for Specific Types of Subprojects

For Projects using Financial Intermediaries

Where project funds are lent by a formal financial intermediary, such as a bank, or by another mechanism such as a revolving fund, an EA framework should be prepared along the lines already described. Where a formal financial intermediary is involved, the financial institution may also require a sub-agreement with the financial intermediary that specifies its legally binding obligations.

For Community Based Projects

In community-driven projects where subprojects are numerous, diverse and widely dispersed, and implementation capacity is new, weak or highly decentralized, an EA framework must be simple and realistic. Activities that would be normally classified as "A" for purposes of environmental assessment are generally not financed under such projects—especially during the start-up period.¹⁶ Where such components are important over the longer term, the first phase of a multi-stage project can be used to develop appropriate procedures, and improve operational manuals.

For Program Loans

Where a financial institution is supporting a borrower's investment program on a sector or program basis, an EA framework is prepared that focuses on the policy and institutional arrangements of the borrower and the steps needed to strengthen

¹⁶ Exceptions may be justified where special arrangements are put in place for identifying, assessing, addressing, and reporting on the environmental and social impacts of such components, or where capacity is already available to deal with them.

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it. Specifically, such a framework should:

- Assess relevant laws and institutions at the national and local level as appropriate;
- Evaluate the capacity and performance of the implementing agency(ies) in dealing with expected impacts;
- Identify policy and institutional gaps and determine with government steps to bring systems and capacities into line with sound environmental and social management practices;
- Provide a time bound action plan to build systems and capacity over time; and
- Include appropriate monitoring, reporting, post review, and remedy systems. Ongoing lending takes account of borrower efforts to improve the environmental and social impacts of the programs supported by the financial institution, and the borrower's success in meeting past commitments.

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E. ENVIRONMENTAL AUDITS

Introduction

Definition A Common Framework for Environmental Auditing should take into account the Elements of Good Practice agreed by the MFI-WGE in 2000 and presented in Section I of this document, Institutional Policies and Procedures.

Whereas EIAs identify potential issues and risks associated with proposed projects, and prescribe the means to address them, environmental audits identify the environmental issues associated with existing or past business activities and evaluate their nature and the adequacy with which they are being or have been addressed.

Objectives An environmental audit identifies past or present concerns, environmental and health and safety risks, and potential opportunities. It may also help to establish the baseline conditions relating to environmental assessment, to agree on responsibility for environmental damage, or to value immovable assets which the MFI considers taking as security. Environmental auditing can be applied to a variety of sectors (such as industrial facilities, public utilities, ports, railways, etc.).

Key Features Environmental audits are normally freestanding reports based mainly on existing data. They are discrete from financial audits, although the latter may cover some aspects of environmental risk. Environmental issues may also be evaluated during legal due diligence.

Treatment of Social Issues The scope of social issues covered in environmental audits should reflect the operational mandate of each MFI. This section focuses upon social issues at the company/project level (such as occupational health and safety, discriminatory practices, forced labor and harmful child labor) rather than social issues dealing with country-level social policies.

Audit Principles

Guidelines Environmental audits are “stand-alone” studies undertaken in accordance with guidelines or protocols developed by MFIs, international accreditation organizations and agencies, industry, NGOs and trade or business associations/councils, among others.

Use of Existing Information Some environmental information collected and evaluated during environmental audits may also form part of financial and legal due diligence investigations. It is important therefore to assess the extent to which this information satisfies the requirements of an environmental audit and to tailor the scope of work and TOR for the environmental audit to build upon and supplement existing envi-

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ronmental information gathered during other due diligence activities.

Scope of Work

Most environmental audits carried out on MFI projects do not involve extensive sampling or other primary data collection (these are often termed phase 1 audits). If the need for additional information or studies is identified, further investigations may be required, such as soil and groundwater contamination evaluation, or hazard/risk analysis (these are often termed phase 2 audits).

Pre-existing Audits

Where recent environmental audits have been conducted, they should be reviewed by the MFI to determine whether they contain sufficient, reliable, up-to-date information on the risks and potential liabilities associated with the project and on the regulatory compliance status of the company, and whether they identify adequate corrective actions and environmental improvement opportunities. If this is not the case, a new or supplementary environmental audit should be commissioned to address deficiencies. In any case, audit reports which are older than 2-3 years (depending on the nature of the company) may no longer portray an up-to-date reflection of current risks.

Independent Auditing

Preferably, environmental audits should be conducted by an independent third party, such as an environmental consulting firm, or where applicable, certified auditors. However, in some circumstances other auditing mechanisms may be acceptable. For example, potential investors may have undertaken as part of their due diligence process a recent audit as part of an acquisition or privatization process. In other cases, companies may have conducted self-audits often involving company experts at the corporate level auditing subsidiary sites or companies. In these circumstances, one should consider whether there is a potential conflict of interest between the needs of the auditors and those of the MFI. Where there is any doubt, MFIs should engage an independent third party to review/verify existing audit reports.

Types of Environmental Audits

Financial Audits

The nature of a financial audit reflects the needs of the financial institution, the nature of the project or company and the complexity/significance of issues associated with it, and the size of the investment and degree of risk involved. These factors give rise to several different types of environmental audits:

Comprehensive Audits

The majority of environmental audits are undertaken for the proposed financing of an industrial facility, public utility, or transport infrastructure and services (e.g., airports and airlines). In such cases it is usually advisable to attempt to audit a high proportion if not all of a company's facilities and assets.

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Audits of Representative Facilities

Audits may also be required where there is fungible financing¹⁷ of large public and private sector enterprises. This presents a challenge from a financial and logistical point of view since there may be many facilities, varied in size and nature and spread over large geographical areas and in different jurisdictions. In such cases, the environmental audit is often focused on the environmental management structure and capabilities at the corporate level, with only a small number of facilities subjected to site audits, based on a risk-focused selection strategy.

Thresholds

Environmental audits should reflect a level of due diligence appropriate to the level of risk involved. For example, if the cost of environmental audits is disproportionately high with respect to the amount of financing provided, it may be appropriate either to waive the audit requirement or, in the extreme, reject the financing altogether (this may be the case for SMEs in high risk sectors). Alternative approaches could involve regulatory compliance checks and/or representations/warranties from the client that there are no material issues associated with the company. The scope of the audit and depth of penetration may be limited for less environmentally risky sectors, involving desk audits, for example.

Key Features of Audits

An acceptable framework for environmental auditing should take into account the following:

Institutional Context

The need for environmental auditing should be set within the context of an MFI's overall loan/investment appraisal process.

Clearly Defined Scope

The scope of the environmental audit and type of information to be used should clearly be defined in project-specific Terms of Reference and/or an audit protocol.¹⁸

Benchmarking

Facilities and construction practices should be compared against international/national/local requirements and guidelines.¹⁹ A gap analysis should indicate areas of deficiency to be addressed in relation to an Environmental Management Plan or Action Plan (EMP/EAP).

¹⁷ Where funds are used in an interchangeable, equivalent manner, for example, lines of credit or corporate financing.

¹⁸ Sample TOR or protocols issued by MFIs should be adapted to address project and industry specific issues.

¹⁹ Benchmarks include the World Bank Group Operational and Safeguard Policies and sectoral guidelines, European Union Directives and other requirements, industry association specific guidelines and standards, including the extent to which applicable international agreements have been incorporated into national law.

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<i>Problem-Solving Approach</i>	Environmental audits should characterize ²⁰ the environmental and social issues, risks and opportunities associated with a business activity and identify practical, cost-effective remedial actions to address them.
<i>Implementation Responsibilities and Timetables</i>	Remedial actions should be clearly specified and include identification of responsibilities, resources required and timeframe. Where appropriate, as in the case of regulatory non-compliance, the agreement of authorities may be required in planning the timeframe in which compliance will be reached.
<i>Monitoring Requirements</i>	Environmental audits establish the baseline for the MFI's information requirements at later stages of the project cycle. For this reason, audit reports should include a monitoring protocol that identifies key environmental and social performance indicators on which the sponsor will be required to report during the remaining life of the project, and the methodology and frequency with which they should be monitored.
<i>Environmental Covenants</i>	All actions required to address identified environmental and social issues and concerns (appropriate to the MFI's operational mandate) should be incorporated either directly, in project legal agreements and contractual agreements, or indirectly, through covenanting the ESMP/EAP in which they may be contained.
<i>Public Disclosure and Consultation</i>	Some information, particularly coming from the private sector, is commercially sensitive or protected by law. ²¹ For this reason there may be limits to the full disclosure of audit reports. Nevertheless, MFIs should require the disclosure of sufficient information on the results of the audit to allow stakeholders to engage in meaningful dialogue. ²²

20 For example, in terms of magnitude, extent, reversibility, significance, priority.

21 For example, where disclosure may affect adversely: (i) the confidentiality of commercial and industrial information; (ii) intellectual property rights; and (iii) international relations, national defense or public security.

22 Consideration should be given, where relevant to the provisions of the Aarhus Convention: [Aarhus, 1998: Convention On Access To Information, Public Participation In Decision-Making And Access To Justice In Environmental Matters.](#)

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Environmental Audit Report Sample Table of Contents

<i>Executive Summary</i>	Overview and summary of items below:
<i>Nature of the Proposed Project</i>	<ul style="list-style-type: none">• Context of the Audit• Description of Processes, Facilities and Assets• Facility Location and Description of Environs• Facility and Site History• International/National/Local Regulatory Requirements• Applicable World Bank Guidelines/European Union Directives/ Other Requirements and Standards
<i>Corporate Environmental, Occupational Health, Safety and Social Management</i>	<ul style="list-style-type: none">• Environmental, Occupational Health and Safety Policies and Procedures• Organization of Environmental, Health and Safety Management• Contingency Planning and Emergency Procedures• Staff Training and Supervision• Internal employee consultation procedures/practice• External information sharing and dialogue with civil society
<i>Environmental Management at the Company / Facility Level</i>	<ul style="list-style-type: none">• Inputs, Products and Waste Streams (subdivide as appropriate)<ul style="list-style-type: none">○ Raw Materials Consumption and Source (where appropriate)○ Water Consumption and Source○ Energy Consumption and Source○ Intermediate Products○ Effluents○ Air Emissions○ Greenhouse Gas Contribution○ Solid and Hazardous Wastes○ Noise and Vibration○ Electromagnetic fields○ Radiation• Process Efficiency• Materials Handling and Storage• Disposal of Wastes• Management of Hazardous Materials (including PCBs and Asbestos)• General Housekeeping Issues• Soil and Groundwater Contamination• Current Environmental Monitoring Activities• Regulatory Compliance Status• Expenditures on Environmental Management<ul style="list-style-type: none">○ Capital Cost/Project Finance○ Operations and Maintenance• Natural environment (for example, buffer zones)• Ecolabelling, product attributes, certifications
<i>Health, Safety and Social Aspects at the Company/ Facility Level</i>	<ul style="list-style-type: none">• Occupational Health, Safety and Social Issues• Current Health, Safety and Social Monitoring Practices• Community Health Exposure• Regulatory Compliance Status• Impact on Community Development

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- Expenditures on Health, Safety and Social Issues
 - Capital Cost/Project Finance
 - Operations and Maintenance

Conclusions and Recommendations

- Regulatory Compliance
- Process Efficiency and Environmental Opportunities
- Environmental Management Issues
- Health and Safety Issues
- Stakeholder Dialogue and External Reporting
- Environmental, Health, Safety and Social Performance Monitoring
- Consolidated Environmental, Health, Safety and Social Action Plan/EMP
- Community Development Issues

Appendices

- Photo/Video/CD Log (e.g., pertaining to site visits)
- Copies of permits, laws and regulations
- Records of community consultations
- Environmental, occupational health, safety and social performance monitoring protocol

Note: There are many acceptable audit protocols developed by industry and MFIs such as the EBRD and NIB which could serve as a suitable template. In addition, environmental audit reports may also take into account health, safety and social issues.

Resources

EBRD: Forthcoming

IFC: [Manual for Implementing Environmental Management Systems in Small and Medium Enterprises; IFC Environmental and Social Review Procedure \(ESRP\) – Guidance Note D](#)

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III. COMMON APPROACHES TO AREAS COVERED BY ENVIRONMENTAL ASSESSMENT

INTRODUCTION

Objectives

MFIs have different requirements for the evaluation and management of important impacts that may be identified during the EIA process, but these requirements are based on principles and approaches that most financial institutions share. This section describes the common features that underpin the requirements of most financial institutions, and it provides links to individual institutional requirements where relevant. This guidance does not supercede individual MFI requirements, but provides a foundation for harmonizing approaches, reducing transaction costs to borrowers, and building client capacity around commonly used principles and processes.

Coverage

Traditionally, EIAs have considered a range of project impacts on the natural and man-made environment, as well as the impacts of environmental change on biodiversity and people. With the growing recognition of the links between people and the environment, and with the introduction of participatory processes into EIA, attention to social impacts and risks has become increasingly common in the EIA process.

Today, most MFIs require that social impact be assessed, either through an EIA that selectively incorporates social issues or through a freestanding social assessment, or other appropriate types of assessment. This document describes common approaches to the types of environmental and social impacts most likely to be considered in the EIA process, while recognizing that individual institutions can differ in their coverage and requirements for mitigation.

Topics Covered

Common approaches are described for the following impacts and risks. Additional topics may be added in the future as agreed by the MFI-WGE.

- A. Pollution
- B. Toxic and Hazardous Substances
- C. Natural Habitats and Biodiversity Conservation
- D. Physical Cultural Property
- E. Directly Affected Communities
- F. Vulnerable Groups
- G. Land Acquisition and Resettlement
- H. Worker Health and Safety

Multilateral Environmental Agreements (MEAs)

MFIs should not finance activities which contravene the borrower's obligations under MEAs. Where requested by their borrowers, and appropriate within their mandates, MFIs may support the efforts of borrowers to implement MEAs (including treaties, conventions, and protocols).

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A. POLLUTION PREVENTION, CONTROL AND MANAGEMENT

Objectives To protect human health and ecosystem functions by preventing, eliminating or minimizing the output and/or impact of air, land, and water pollution.

- Principles**
1. Impacts from pollution and options to address these impacts should be identified as part of the environmental impact assessment.
 2. Project requirements and/or standards should be determined with reference to both national standards and to relevant internationally recognized guidelines (e.g., European Union Directives, World Bank Pollution Prevention and Abatement Handbook, or WHO Guidelines).
 3. Where, according to the EIA the higher standard is unrealistic, or is not technically or economically feasible,²³ deviations should be justified within the EIA context and agreed by the borrower and funding institution.
 4. Where a country has ratified applicable international agreements, the relevant provisions are taken into account in project design.
 5. In new facilities, state of the art or cleaner technologies (stressing prevention, rather than abatement) should be used where technically and economically feasible.

Electronic Links

ADB: [Guidelines for Policy Integration and Strategic Action Planning for the Achievement of Cleaner Production](#)

WBG: [Pollution Prevention and Abatement Handbook \(WB, 1998\)](#). Please note that the Pollution Prevention and Abatement Handbook is currently being updated under the coordination of the IFC

: [IFC Health & Safety Guidelines](#)

²³ For example, within the former Soviet Union some countries have legislation mandating very high technical standards that are not normally applied.

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B. TOXIC AND HAZARDOUS SUBSTANCES CONTROL AND MANAGEMENT

- Objectives** To minimize risks to human health and safety and to the environment from the production and use of toxic and hazardous materials and substances, including pesticides and Persistent Organic Pollutants (POPs).²⁴
- Principles**
1. Screening for use of toxic and hazardous materials and substances should occur in the EIA context.
 2. Internationally financed projects should not finance the procurement or production of:
 - Pesticides in WHO classes I and IA, except in highly unusual cases justified in the EIA; and
 - POPs, subject to the exceptions under the Stockholm Convention.²⁵
 3. Where the use or production of other pesticides is being considered:
 - Pesticides in WHO Class II should be financed only when the country has adequate capacity to train users to handle, store, and apply these products properly; and
 - Where pesticides are a significant element of the project, the EIA should recommend those that have negligible adverse impacts on human health, non target species and the natural environment (see FAO and WHO guidelines).²⁶
 4. The use of other hazardous materials and substances²⁷ should be minimized, and where they are used or produced:
 - A management plan should be prepared, often in the context of an EMP or ESMP, covering their transport, handling, storage, and disposal, as well as associated management and reporting practices; and
 - Where production processes involve significant dangers or risks, an emergency preparedness and response plan should be prepared and potentially affected communities should be informed.²⁸

24 POPs are chemicals that remain intact in the environment for long periods, and become widely distributed geographically, accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. For a list, see: <http://www.pops.int>.

25 As above, Stockholm Convention on Persistent Organic Pollutants.

26 WHO: Recommended Classification of Pesticides by Hazard and Guidelines to Classification (Geneva: WHO 1994-95), <http://www.inchem.org/documents/pds/pdsother/class.pdf>. The International Code of Conduct on the Distribution and Use of Pesticides, Article 10, addresses labeling, packaging, storage and disposal of pesticides http://www.fao.org/waicent/faoinfo/agp/agpp/pesticid/code/pm_code.htm. See also the FAO Pesticide Storage and Stock Control Manual (Rome: FAO 1995).

27 Hazardous materials and substances pose significant risks because of their physical and/or chemical characteristics. They include explosives, toxic or flammable gases, flammable liquids, or solids, oxidizing substances, toxic and infectious substances, radioactive materials, corrosive substances, and other dangerous materials. Hazardous substances include substances used on-site in production processes and wastes that require special handling and disposal. Some substances such as ozone depleting chemicals and POPs are also being considered for elimination or phase out and should not be used.

28 See EU Council Directive 96/82/EC on the control of major-accident hazards ('Seveso Directive'), as amended by Directive 2003/105/EC.

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Electronic Links	ECB:	The European Chemicals Bureau (ECB) of the European Commission has developed a database, EDEXIM , which lists hazardous chemicals controlled by Rotterdam Convention and banned and restricted in the EU.
	EU:	Directive 96/82/EC on the control of major-accident hazards (Seveso II Directive), as amended by Directive 2003/105/EC
	FAO:	FAO Pesticide Management Guidelines
	IFC:	Hazardous Materials Management Guidelines (IFC, 2001)
	UNECE:	Convention on the Transboundary Effects of Industrial Accidents
	WB:	Policy on Pest Management OP 4.09 . Pest Management Guidebook – online link forthcoming
	WHO:	WHO Recommended Classification of Pesticides by Hazard
		Rotterdam Convention
		Stockholm Convention on Persistent Organic Pollutants

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C. NATURAL HABITATS AND BIODIVERSITY CONSERVATION

Objectives	To avoid adverse impacts on natural habitats ²⁹ and biodiversity, and to conserve and maintain them where feasible.
Principles	<ol style="list-style-type: none">1. Internationally supported projects should avoid converting or degrading legally protected areas.2. Projects should avoid or minimize the conversion or degradation of critical natural habitats³⁰ and other natural habitats, to the extent feasible. Where the EIA process concludes that there are no acceptable alternatives, project benefits outweigh environmental costs, and it is vital to public interest to proceed with the project, compensatory mechanisms and management plans should be built into the project. This may include measures to establish and protect an ecologically similar area.3. Projects should be designed to conserve biological diversity or use it sustainably, and where local communities are involved there should be a fair and equitable sharing of benefits derived from its use.4. Projects in forest areas should be accompanied by a management plan that provides for the conservation of any natural habitats.5. Applicable international conventions should be reviewed and considered in evaluating proposed projects.³¹
Electronic Links	<p>EIB: Council Directive 92/43 /EEC (21 May 1992), Conservation of natural habitats and wild fauna and flora</p> <p>WB: Policy on Natural Habitats OP/BP 4.04 Policy on Forests OP/BP 4.36</p> <p>Council of Europe Berne Convention on the Conservation of European Wildlife and Natural Habitats</p> <p>UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage</p> <p>Ramsar Convention on Wetlands of International Importance</p> <p>UNECE Convention of the Protection and Use of Transboundary Watercourses and International Lakes and Protocol on Civil Liability</p>

29 In broad terms, “natural habitats” are land and water areas where: (i) the ecosystems are formed largely of native plant and animal species; and (ii) human activity has not essentially modified the area’s primary ecological functions. Natural habitats comprise many types of terrestrial, freshwater, coastal, and marine ecosystems.

30 In broad terms, “critical natural habitats” are: (i) legally protected areas and areas officially proposed for protection under law; and (ii) other sites with very important ecological or social functions.

31 For example, in deciding whether and how to situate projects and in avoiding and managing impacts.

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D. PHYSICAL CULTURAL PROPERTY

Objectives	To avoid adverse impacts on physical cultural resources ³² and encourage their conservation and management.
Principles	<ol style="list-style-type: none">1. Development projects should avoid damage or destruction to cultural property designated as having local, national, or international significance and should encourage its conservation and enhancement.2. Where projects may have an impact upon cultural property, on-site investigation should be carried out, and relevant national groups and organizations should be consulted as part of the EIA process in order to identify the extent and significance of resources that may be affected and to develop appropriate mitigating measures and management plans.3. Where no alternatives are feasible and significant cultural property may be damaged or destroyed, such resources should be salvaged if possible and/or fully documented before development begins.4. Where projects may encounter cultural property during implementation, provisions should be made for the management of chance finds.5. Where a country has ratified related international conventions, consideration should be given to how they will be applied.
Electronic Links	WB: Policy on Cultural Property OPN 11.03 Physical Cultural Resources, OP 4.11 (forthcoming) Physical Cultural Resources Handbook (forthcoming) UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage

³² Physical cultural resources include: movable or immovable objects, sites, structures, groups of structures, natural features and landscapes that have archaeological, paleontological, historical, religious, or other cultural significance. Physical cultural resources may be located in urban or rural settings, and may be above ground, underground, or underwater.

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E. DIRECTLY AFFECTED COMMUNITIES

Objectives	To avoid or minimize adverse impacts on communities directly affected by development projects and ensure that they benefit from projects that affect them, where feasible.
Principles	<ol style="list-style-type: none">1. Where project screening determines that significant adverse social impacts are possible, qualified specialists should carry out an appropriate impact assessment.³³2. Physical impacts³⁴ resulting in a deterioration of income or welfare, and/or significant adverse impacts on a community's culture or way of life, should be minimized and mitigated to the extent feasible.3. Measures should be incorporated into the project to ensure that communities affected by development projects also benefit from them.³⁵4. Adversely affected groups should be consulted about project impacts and have a voice in determining mitigation measures and project benefits.³⁶
Electronic Links	<p>ADB: Handbook on Poverty and Social Analysis (2001)</p> <p>IFC: Good Practice Note: Addressing the Social Dimensions of Private Sector Projects</p> <p>WB: Social Analysis Sourcebook</p>

33 This may be done through an EIA, a social assessment, or other assessments, as appropriate.

34 Adverse impacts are broadly defined and may be due to changes in land or water use, the introduction of new technologies, or the influx of new labor, among many others. Where land is acquired or people resettled or where groups are disadvantaged in relation to others, many donors and clients have specific requirements and/or policies (see subsequent sections).

35 For example, communities adversely affected by transport or power projects should also benefit from them wherever feasible.

36 Partnerships with local communities can bring significant benefits to project proponents in terms of ownership, support, and conflict reduction.

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F. VULNERABLE GROUPS

- Objectives** To avoid adverse impacts upon groups that may be disadvantaged in the development process by virtue of their gender, age (children and the old), ethnicity, religion, culture, or way of life.
- Principles**
1. Adverse impacts resulting from the location or design of the project should not fall disproportionately on disadvantaged, excluded or vulnerable groups, or worsen their situation in relation to others.
 2. Where adverse impacts are expected, they should be minimized and mitigated to the extent feasible.
 3. Where such groups may be present, specific measures should be taken to: (i) identify groups which are vulnerable or disadvantaged; (ii) involve them in culturally appropriate ways in assessing impacts and proposing mitigation measures; and (iii) ensure that their views and preferences are known to decision makers, and where possible reflected in project design.
 4. Intended mitigation measures and proposed project benefits should be socially and culturally compatible, and they should be determined in discussion with affected groups.
- Electronic Links**
- AfDB:** [Policy on Gender](#)
- ADB:** [Gender Checklist: Resettlement \(2003\)](#)
[Policy on Indigenous Peoples \(1999\)](#)
[Operations Manual Section F3 Indigenous Peoples \(2004\)](#)
- IDB:** [Policy OP 761 on Gender](#); Indigenous Peoples Policy (under preparation)
- WB:** [Policy OD 4.20 on Indigenous Peoples](#) requires an Indigenous Peoples Plan where such groups may be adversely affected
Indigenous Peoples Guidebook (forthcoming)
[Revised Draft Operational Policy on Indigenous Peoples \(OP 4.10\)](#)
[Policy OP 4.20](#) and its approach to gender are described in [“Integrating Gender into the World Bank’s Work: A Strategy for Action.” \(WB 2001\)](#)

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G. LAND ACQUISITION AND RESETTLEMENT

Objectives	To ensure that affected people: (i) are fairly compensated for the loss of land and other assets taken for development purposes; and (ii) are able to restore their incomes and standards of living or improve them.
Principles	<ol style="list-style-type: none">1. Involuntary resettlement should be avoided or minimized where feasible.2. Compensation for land and other assets should be based on replacement value at the time of relocation.3. In addition to compensation, resettlement assistance should be provided, if necessary, to facilitate income restoration.4. Directly affected groups, including those receiving resettled groups (host populations), should benefit from the project and be consulted on decisions that affect them, including selection of benefit options, development packages, and mitigation measures.5. Income restoration should build on the experiences and preferences of displaced people and benefits should be socially and culturally appropriate.6. Provisions should be made for dispute resolution mechanisms.
Electronic Links	<p>AfDB: Policy on Involuntary Resettlement</p> <p>ADB: Resettlement Policy and Practice in Southeast Asia and the Pacific (2000) Handbook on Monitoring and Evaluation of Resettlement and Rehabilitation (forthcoming)</p> <p>IDB: Policy OP 710 on Involuntary Resettlement</p> <p>WB: Policy OP/BP 4.12 on Involuntary Resettlement includes specific definitions and required processes. The World Bank policy applies to people regardless of their legal status, and it covers people affected by the designation of parks/protected areas. Where resettlement is required, a resettlement plan must be prepared. <i>Involuntary Resettlement Sourcebook: Planning and Implementation in Development Projects.</i> 2004. Washington, DC.</p>

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H. WORKER HEALTH AND SAFETY

- Objectives** To ensure that those employed under internationally financed projects are fairly treated and have a safe working environment.
- Principles**
1. Employment practices should be, at a minimum, consistent with the laws of the country.
 2. Children and youth should not be formally employed in any capacity which could cause them harm or detract from educational requirements reflected in national laws.³⁷
 3. Internationally financed projects should not use involuntary, forced, or coerced labor.³⁸
 4. EIA screening should consider occupational health and safety. Where there are significant risks or the danger of injury (from noise, pollution, or accidents, etc.) or from disease transmission, risk management measures should be included in the management plan.
- Electronic Links**
- IDB:** [Public Health Policy](#)
- IFC:** [Interim Guidance on Harmful Child Labor](#)
[Occupational Health and Safety Guidelines](#)
[Life and Fire Safety Guidelines](#)
[Addressing Child Labor in the Workplace and Supply Chain](#)

³⁷ Harmful child labor is defined as labor which is economically exploitative, or is likely to be hazardous to children, to interfere with their education, or to be harmful to their health or development. This definition recognizes that many poor children do part time and informal work which supplements family incomes, and that such work is not the focus of this policy.

³⁸ Forced labor consists of work or service, not voluntarily performed, and extracted under threat of force or penalty.

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