ENVIRONMENTAL AND SOCIAL SAFEGUARDS POLICY

INCLUSIVE OF

Environmental and Social Management System (ESMS)

FOR THE CARICOM DEVELOPMENT FUND (CDF)

November 2019
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### Acronyms and Abbreviations

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>CAP</td>
<td>Country Assistance Programme</td>
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<td>CARICOM</td>
<td>Caribbean Community</td>
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<td>CDB</td>
<td>Caribbean Development Bank</td>
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<td>CDF</td>
<td>CARICOM Development Fund</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CSME</td>
<td>CARICOM Single Market and Economy</td>
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<td>CO2</td>
<td>Carbon Dioxide</td>
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<td>DD</td>
<td>Due Diligence</td>
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<td>EA</td>
<td>Environmental Assessment/Executing Agency</td>
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<td>E&amp;S</td>
<td>Environmental and Social</td>
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<td>ECM</td>
<td>External Communications Mechanism</td>
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<td>EDAF</td>
<td>Emergency Disaster Assistance Facility</td>
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<td>EHS</td>
<td>Environment Health and Safety</td>
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<td>ESDD</td>
<td>Environmental and Social Due Diligence Process</td>
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<td>ESMP</td>
<td>Environmental and Social Management Plan</td>
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<td>ESMS</td>
<td>Environmental and Social Management System</td>
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<td>ESS</td>
<td>Environmental and Social Safeguards</td>
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<td>FI</td>
<td>Financing Institution</td>
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<td>FPIC</td>
<td>Free, Prior Informed Consent</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GRM</td>
<td>Grievance Redress Mechanism</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IP</td>
<td>Indigenous Peoples</td>
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<td>IPP</td>
<td>Indigenous Peoples Plan</td>
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<td>IRC</td>
<td>Internal Review Committee</td>
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<tr>
<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>LDC</td>
<td>Less Developed Country</td>
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<tr>
<td>LPA</td>
<td>Limited Partnership Agreement</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>NFP</td>
<td>National Focal Point</td>
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<td>OSH</td>
<td>Occupational Safety and Health</td>
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<tr>
<td>PA</td>
<td>Protected Area</td>
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<tr>
<td>PS</td>
<td>Performance Standard</td>
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<tr>
<td>RDD</td>
<td>Regional Development Division</td>
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<td>RPF</td>
<td>Resettlement Policy Framework</td>
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<td>SME</td>
<td>Small and Medium Enterprise</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>WBG</td>
<td>World Bank Group</td>
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Definitions

**Asset Class.** An asset class is that class of financing or investment activities of the FI, including prospective business activities, relating to a specific line of business, sector, industry, practice, region, client or other distinctive characteristic.

**Borrower.** The terms “borrower” and “investee” refer to the beneficiaries of CDF’s Direct Investments and FI clients (sub-project level for IFC).

**Category A.** Project E&S risk category assigned to activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented.

**Category B.** Project E&S risk category activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.

**Category C.** Project E&S risk category activities with minimal or no adverse environmental and/or social risks and/or impacts.

**Category FI-1.** E&S risk category of an FI’s existing or proposed portfolio that includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

**Category FI-2.** E&S risk category of when an FI’s existing or proposed portfolio comprises, or is expected to comprise, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

**Category FI-3.** E&S risk category of when an FI’s existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

**Contextual risks.** From a private sector, E&S perspective, these are defined as risks in the external environment [at a country, sector or sub national level] that the client does not control but which could negatively impact the ability of a project or private sector client to meet IFC’s E&S requirements. Examples of contextual risks include among others land disputes as a result of internal displacement or conflict; systemic issues such as minority discrimination, lack of freedom of association, widespread use of child labour; historical government actions related to land contamination, forced evictions, etc.

**CARICOM Single Market and Economy (CSME).** The regime established by the Revised Treaty.

**Corrective Action Plan.** See Environmental Management Plan (EMP) below.
**Disadvantaged countries.** In the context of the CDF operations agreement, this refers to:

a. The less developed countries within the meaning of Article four of the Revised Treaty, or
b. Member states that may require special support measures of a transitional or temporary nature by reason of:
   i. Impairment of resources resulting from natural disasters;
   ii. The adverse impact of the operation of the CSME on their economies;
   iii. Temporary low levels of economic development;
   iv. Being a Highly Indebted Poor Country designated as such by the competent inter-governmental organisation.

**Disadvantaged regions.** In the context of the CDF operations agreement, this refers to:

a. Regions within the member states experiencing economic dislocation from the operation of the CSME;
b. Regions that may require special support measures of a transitional or temporary nature by reason of:
   i. Impairment of resources resulting from natural disasters; or
   ii. Temporary low levels of economic development.

**Disadvantaged sectors.** In the context of the CDF operations agreement, this refers to:

a. Sectors of the economies of member states in which economic enterprises experience dislocation from the operation of the CSME; or
b. Sectors that may require special support measures of a transitional or temporary nature by reason of natural disasters, whereby the loss in the sector causes social and economic disorder.

**Eligible recipients.** Eligible recipients include:

a) Member States
b) Subject to the approval of the Member State:
   i) At any agency of such Member State
   ii) Any entity in the public sector operating in such Member State
   iii) Regional agencies and private sector entities that are concerned with the economic development of such Member State.

**Environmental Assessment (EA).** Environmental Assessment is a generic term covering various types of assessment processes such as Environmental Impact Assessments, partial Environmental Impact Assessments, Social Impact Assessments, Environmental Management Plans and environmental due diligence.

**Environmental Impact Assessment (EIA).** Environmental Impact Assessment is the term used to describe a formalised process, including public consultation, in which all the potential environmental impacts and the degree of such impacts of a proposed project are identified and assessed, and measures to mitigate against any potential
adverse impacts that might occur as a result of the proposed undertaking are identified.

**Environmental Impact Statement (EIS).** The Environmental Impact Statement is the report produced as an output of an Environmental Impact Assessment (required content is stipulated under national legislation). It usually includes an EMP.

**Environmental Management Plan (EMP).** The Environmental Management Plan will (i) describe the actions necessary to implement the various mitigation measures or corrective actions to be undertaken to address potential adverse impacts identified; (ii) prioritize these actions; (iii) include the timeline for their implementation; and (iv) describe the schedule and mechanism for external reporting on the Borrower’s implementation of the Action Plan. The EMP is usually included in the EIS. The term Corrective Action Plan is used interchangeably by many Financial Intermediaries.

**Executing Agency (EA).** The Executing Agency (EA) is usually a Project proponent; is the direct recipient of the loan or grant; and is responsible for Project implementation. The EA might be a public sector department or agency, or a private sector organisation, or in the case of private sector loans, an intermediary, on lending institution, such as a national development foundation. The EA reports to the NFP in respect of implementation, the utilisation of funds, and the achievement of results.

**Financial Intermediary (FI).** For the purpose of this Interpretation Note, the term “financial intermediary,” or FI, refers to a variety of financial institutions such as universal banks, investment banks, private equity funds, venture capital funds, microfinance institutions, and leasing and insurance companies, among others.

**Higher Risk Transactions.** (Collectively, Higher Risk transactions include business activities that may include a) involuntary resettlement (including physical and economic displacement), b) risk of adverse impacts on Indigenous Peoples, c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage or d) significant Occupational Health and Safety risks. For avoidance of doubt Higher Risk Transactions will be considered as restricted activities in cases of FI projects in which proceeds from IFC are used to support asset classes that are not subject to application of the Performance Standards. These restrictions will apply only to asset class(es) supported by IFC not to entire portfolio of the FI client.

**Investee.** The terms “borrower” and “investee” refer to the beneficiaries of CDF’s Direct Investments and FI clients.

**Involuntary resettlement.** Physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by project-related land acquisition or restrictions on land use.

**Land acquisition.** All methods of obtaining land for project purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way.
**Member State.** A member State of the Community that participates in the CSME.

**National Focal Point (NFP).** Each Member Country is responsible for identifying a National Focal Point (NFP) to manage CDF assistance in that country. All CDF activities within the country are channelled through the NFP to ensure consistency between the CDF mandate and the national development objectives. The NFP is integral to CDF operations with the following objectives:

- to promote the work of the CDF within the country;
- to identify areas suitable for intervention;
- to liaise with the relevant ministries/departments, the private sector on lending intermediary, Executing Agencies and the CDF; and
- to maintain continuous oversight of progress towards CAP objectives and Component and Project implementation.
- To ensure that procurement and disbursement procedures are managed in a manner consistent with standards of transparency, efficiency, economy, accountability and fairness.

**Programme Management Committee (PMC).** The PMC is a small advisory body of key social and economic development stakeholders from the public and private sectors in the Member State. Members are appointed by the Minister of Finance (or relevant, responsible minister) in consultation with and upon recommendation of the Permanent Secretary and NFP.

**Revised treaty.** This is the Revised Treaty of Chaguaramus, including the CARICOM Single Market and Economy.

**Social Impact Assessment (SIA).** Social Impact Assessment is undertaken as part of the EIA process, and is a due diligence process carried out to systematically screen projects regarding social issues. SIA is an analysis of relevant social issues and factors within the project context. It may vary from project to project and includes both positive and negative aspects.

**Mitigation.** Steps taken to avoid or minimise potential negative environmental impacts. Mitigation can include:

- avoiding the possible impact by not taking a certain action;
- minimising possible impacts by limiting the degree or magnitude of the action;
- rectifying the impact by repairing or restoring the affected environment;
- reducing the potential impact by protective steps required with the action; and
- compensating for the impact by replacing or providing substitute resources.
ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) FOR THE CARICOM DEVELOPMENT FUND (CDF)

Executive Summary

Project Objective

The CARICOM Development Fund (CDF) was established to operate a regime for disadvantaged countries, regions and sectors, to enhance their prospects for development and successful competition within the context of the CARICOM Single Market and Economy (CSME), and to redress, to the extent possible, any economic dislocation arising from the establishment of the CSME within the context of that regime.

CDF proposes to apply proceeds from the Green Climate Fund (GCF) to eligible projects put forward by eligible recipients that are congruent with GCF criteria for support. Such projects could reduce greenhouse gas emissions, improve energy access and catalyse private sector funding for climate investment, and contribute directly to several of the GCF’s mitigation and adaptation outcomes.

Purpose of ESMS

This document comprises the Environmental and Social Management System (ESMS) designed by CDF to avoid and minimize negative environmental and social (E&S) impacts and to enhance positive aspects of its prospective Borrower/Investee Projects implemented in CARICOM Member States. The ESMS provides the framework and guidelines to ensure that qualifying Financial Intermediaries (FIs) and other Executing Agencies (EAs) are committed and able to comply with applicable standards and national laws in their screening, approval, investment and monitoring of Borrower/Investee Projects.

CDF is supported at a national level by National Focal Points (NFPs). The CDF guidelines, procedures and mitigation requirements are in line with those of the GCF/IFC. CDF will institutionalise the ESMS guidelines and processes in each NFP, EA and FI and enforce their implementation through the contractual provisions agreed with EAs and FIs. CDF contractual obligations to be agreed with EAs and FIs will include the following caveats:

i. Any proposed deviation from these guidelines must be brought to the CDF for its explicit approval; and

ii. A non-authorized deviation from the guidelines constitutes a breach which could result in the loss of project funding and/or loss of access to CDF funding upon consideration by the CDF Board.

Potential Social and Environmental Impacts. Projects supported by CDF vary widely in scale, scope and level of E&S risk. Appropriate environmental assessment and risk mitigation is fundamental to operations at the CDF, NFP, EA and FI levels. Each Borrower/Investee Project will be categorized prior to investment based on the potential E&S risks associated with it, as outlined in this document. All projects,
irrespective of their categorisation will be screened for potential E&S impacts, and adverse impacts avoided or suitably mitigated.
1.0 Introduction
This document comprises the Environmental and Social Management System (ESMS) designed for CARICOM Development Fund (CDF) operations and provides the framework and guidelines to be applied at both CDF and underlying levels in order to manage social and environmental impacts and risks of projects supported by CDF. CDF inculcates guidelines and processes in the CDF National Focal Points (NFP) as well as in each Financial Intermediary (FI) and Executing Agency (EA), and enforces these through regular practice, underpinned by the contractual provisions included in the Agreements signed between CDF and its FIs/borrowers/investees.

1.1 Background
1.1.1 Establishment and governance of the CDF
CDF is a Treaty based CARICOM institution with its own legal identity. The CDF was established to provide financial and technical assistance to disadvantaged countries, and regions and sectors within CARICOM (CARICOM, 2008), to

a) address:
   i. economic dislocation and other adverse economic impact arising from the operations of the CARICOM Single Market and Economy (CSME)
   ii. adverse social impact arising from the operations of the CSME; and
   iii. structural diversification and infrastructural development needs; and

b) facilitate:
   i. regional investment promotion and mobilisation; and
   ii. business development and enterprise competitiveness.

CDF goals and objectives are consistent with the overall CARICOM objective to build resilience in the region. The CDF’s ultimate outcome would be to contribute to the inclusive and sustainable growth of an integrated Caribbean Community (CARICOM) through support to the disadvantaged countries, regions and sectors. CDF resources are made available to its beneficiary countries through concessionary loans and grants. The CDF Agreement also makes provision for interest rate subsidies.

The CDF began operations in November 2008. Membership of the Fund is open to all CARICOM CSME Member States. The first contribution cycle interventions were focused on disadvantaged countries, defined in the Agreement as the CARICOM LDCs (OECS countries and Belize) and Guyana as a Highly Indebted Poor Country (HIPC).

CDF reports to the CARICOM Community through the Community Council which is advised by the Council for Finance and Planning (COFAP) and the Council for Trade and Economic Development (COTED). The CDF is managed by an eight member Board of Directors made up of two representatives of the Less Developed Member States, two from the More Developed Member States, one from the Regional Private Sector, one from OECS Secretariat, one from the CARICOM Secretariat, and the Chairperson of
the Fund who is selected by the COFAP. Directors serve for terms of either two or three years.

1.1.2 Operations of the CDF
The CDF delivers its financial and technical resources to the beneficiary countries through a country programming approach which involves the active participation of respective Member States. The programming approach assures the ownership of the programme by stakeholders and focuses on the attainment of strategic outcomes rather than simply on individual project objectives. The outcome of this approach is a Country Assistance Programme (CAP) for each beneficiary Member State, which encapsulates the loan and grant agreements between the CDF and the beneficiary country. The CAP identifies initiatives consistent with national policy of the Member State and the CDF Strategic Plan. Guided by the Cohesion Policy, CDF intends to design the CAPs to more deliberately address disadvantage within and across sectors and regions, and not only at the country level. This would reflect the full articulation of the CDF’s treaty-based mandate (CDF, 2016).

In keeping with the objective of providing assistance to address the effects of temporary dislocations arising from disasters, the CDF also established an Emergency Disaster Assistance Facility (EDAF) (CDF, 2015).

Public and private sector entities in all CDF Member Countries are eligible to apply for CDF financial and technical assistance (CDF, 2012). CDF supports direct investments by Member State governments and provides technical assistance in relevant areas. CDF also makes significant levels of concessional resources available to SMEs across many of the LDC beneficiary countries, through national financial intermediaries (FIs), usually the national development banks. SME beneficiaries typically operate in the sectors of agriculture, manufacturing and tourism, although other services are also supported to a limited extent (CDF, 2016).

1.2 The CDF Process for Application, Evaluation, Approval and Monitoring
The Member Country National Focal Point (NFP) is responsible for managing the CAP implementation, advised by the Project Management Committee (PMC). All requests for funding must be submitted to the CDF through the NFP, regardless of origin. The schematic below depicts the arrangements and relationships between the various entities.
The NFP invites public and private sector entities to submit applications for assistance (loans, grants and technical assistance) in accordance with the defined activity areas of the CSM/CDF and identified national priorities. These applications may address a range of related issues, from the enabling environment to industry or company level concerns, as long as they contribute to the CAP.

1.2.1 Concept Note
The first stage for public and private sector applicants is a brief Concept Note summarizing the Component or Project and outlining the relevance to the CAP Summary. Concept Notes are submitted to the NFP which in turn transmits a copy to the assigned CDF Programme Specialist.

Private sector loan applicants are required to submit applications through and in accordance with the requirements of the relevant FI in that country, usually the national development bank or foundation.

The NFP reviews initial applications in accordance with a simple Concept Note Assessment Grid and decides whether an applicant is to proceed to the next stage or not. The NFP invites preapproved applicants to the next stage of Component or Project development, and notifies unsuccessful applicants, with a brief explanation of the evaluation result.

1.2.2 Component/Project Document
The NFP works with public and private sector executing agencies with accepted Concept Notes to assist in developing their full Component or Project Documents. Depending on the complexity of the Component/Project, the NFP may request additional support from the CDF, to be provided by a Programme Specialist or external expertise at CDF’s expense as determined by the Director of Regional Development. This may include support in undertaking any environmental assessment required.

The NFP submits the Component/Project Document to the assigned CDF Programme Specialist. The Programme Specialist reviews and may discuss elements of the Document with relevant CDF colleagues and/or external experts. The Programme Specialist also works very closely with the NFP and the proponent Executing Agency (EA) to ensure the clear definition of Component/Project results in relation to the CAP Summary. This includes the completion of the Component/Project Results Framework which must be congruent with the CAP Summary, the identification of performance indicators and sources and means of data collection and analysis.

1.2.3 Assessment/Approval
The Programme Specialist with responsibility for that CAP assesses the finalised Component/Project proposal in relation to the CAP Summary and with reference to the final evaluation tool. The completed Component/Project Document is then forwarded by the Programme Specialist to the Regional Development Division (RDD) Director for review and circulation to Senior Management and Specialist staff for their input and feedback based on their specific areas of expertise and professional responsibility within CDF. Depending on the responses received and ensuing
discussions, the RDD Director may direct the relevant Programme Specialist to undertake further work on a request. The Director may also choose to invite external expertise to advise the staff in deliberations, depending on the technical requirements of the request. The RDD Director forwards finalised Component and Project designs to the CEO for review.

The CEO evaluates the Component/Project, particularly with respect to the financial, legal and governance impacts, and in accordance with the Component/Project Evaluation Sheet. A request must obtain a minimum 75% score in order to proceed.

Based on the evaluation, the CEO makes one of the following recommendations:

- Approved for financing without changes (and no or only minor clarifications).
- Approved for financing provided that clarifications or adjustments are met within a specified timeframe.
- Not approved in its present form, but recommendations made on adjustments that would enable the proposal to meet the appraisal criteria.
- Request rejected.

On advice from the RDD Director the CEO also recommends the type of assistance that will be extended (i.e., loan, grant, or technical assistance), the amount of the assistance, and the terms and conditions of the assistance. Where further refinement (major or minor) is needed the Programme Specialist collaborates with the NFP to address the necessary changes. On completion, the revised Document is resubmitted for consideration. Those Components/Projects passing the CEO evaluation are conveyed to the Board for approval. The Board will determine whether to approve or reject the Component/Project request.

The Programme Specialist prepares a Letter of Approval for the CEO’s signature and this is dispatched to the NFP and EA. Where the Component/Project is approved, the terms and conditions of the offer of assistance are included in the Letter.

The recipient is requested to confirm, in writing, its acceptance of the proposed terms and conditions. Upon acceptance, the CDF issues a Loan or Grant Agreement outlining the roles and responsibilities in Component/Project implementation, monitoring and reporting. Execution of the Agreement signals commencement of the Component or Project and facilitates the transfer of funds, once conditions precedent have been satisfied.

The draft Agreement defines the commitments, accountabilities, roles, responsibilities and schedules related to activity implementation, financial management and the achievement of results, to be observed by the CDF, NFP and EA. The final, approved Component/Project Document is appended to and becomes the Terms of Reference (ToR) of the Agreement.

1.2.4 Management & Monitoring
Upon execution of the Agreement, the Programme Specialist is responsible for maintaining all relevant Component or Project documentation; preparing a
Component/Project Checklist which summarises terms and conditions of the funding, key milestones and a schedule of deliverables and payments; and works with the NFP and EA to define the Component/Project Results Monitoring Framework.

Using the Framework:

1. The EA reports on the deliverables and outputs at the Component/Project level;
2. The NFP uses the Component/Project Monitoring Framework reports to track progress towards the achievement of CAP objectives (outcomes); and
3. The CDF Programme Specialist monitors the extent to which CAP objectives are being achieved through Component/Project activity.

Where there is an infrastructure component, CDF may utilize the skills of a quantity surveyor/engineer to assist in monitoring and evaluation of the work at all stages of the project cycle.

The Component/Project Results Monitoring Framework places the NFP (supported by the Programme Management Committee) at the core of the programming operation, rooting accountability for results in the Member Country. The Monitoring Framework is reviewed and approved by the Director of Regional Development. Once finalised, it is shared with the NFP and EA to serve as a tracking and reference tool in Component/Project reporting and monitoring.

Depending on the size and scope of the Component/Project, the EA submits monthly or quarterly Component/Project Progress Reports to the NFP, comprising the updated Component/Project Results Monitoring Framework document and a financial statement. Upon completion a Final Component/Project Report includes:

- the degree to which Component/Project objectives have been achieved;
- the final Component/Project Results Monitoring Framework;
- the degree of compliance with the Corrective Action Plan developed as part of the Agreement, and amended through implementation as required;
- environmental and social performance of the project;
- a GRM report;
- funds disbursed and accounted for in accordance with the Agreement;
- explanations of any variances from the plan;
- the sustainability of results achieved; and
- important lessons learned and recommendations for future programming.

1.2.5 Programme Evaluation

Programme evaluation assesses the performance of a programme in achieving its intended outcomes. It provides valuable information to support informed decision making and serves to reinforce the accountability of programme managers. Post programme evaluation also provides useful lessons to be integrated into future planning. The Final Component/Project and CAP Reports therefore serve as a complete, evaluative view of programme results. The CDF may also choose to commission an evaluation of CAPs and/or Components/Projects at any time during implementation or up to two years after completion (ex post). The ex post evaluation
serves to assess programme sustainability and provides useful lessons for programme focus and investment.

1.2.6 Learning and Knowledge Management
The CDF RDD prepares a Lessons Learned Presentation for the CDF Board, senior staff and selected stakeholders on an annual basis. The presentation distils key lessons from completed CAPs, Components and Projects during the previous year and engages participants on how the lessons can be integrated into future development programming across the region.

1.3 Objectives of the CDF ESMS
The main purpose of the CDF’s ESMS is to pre-empt or reduce any potential adverse E&S impacts of prospective projects and to enhance positive aspects (see Appendix 1 for the management approach taken to EHS considerations). This ESMS has been devised in accordance with the Environmental and Social Safeguards Framework of the Green Climate Fund (GCF, 2015), which has adopted the Performance Standards of the International Finance Corporation (IFC).

The GCF/IFC safeguards are designed to reduce potential conflict, optimise project benefits, and avoid social and environmental harm, during both project implementation and facility operations. In order to effectively manage environmental, health, and safety (EHS) issues, EHS considerations must be fully integrated into facility and project-level activities in an organized and structured way. This CDF ESMS provides the framework and guidelines for operations at CDF, NFP and FI levels in order to manage social and environmental impacts and risks of CDF supported investments. CDF will inculcate guidelines and processes in each NFP and FI, underpinned by the contractual provisions included in the Agreements signed between CDF and its beneficiaries.

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2.0 The CDF Programme and Strategic Plan (2015-2020)

2.1 CDF Programme Priorities

CDF focus areas are subject to change depending on the assessed and agreed priorities of CDF Member States. CAPs must be clearly linked to improving trade competitiveness in regional and extra regional markets, for example:

- Policy reviews and recommendations;
- Business diagnostics and implementation of turn-around strategies;
- Standards improvements and certifications such as ISO, HACCP and similar compliance with best practices in production and marketing;
- Business and investment promotion and special measures to attract investment and new industries to the disadvantaged counties and regions;
- Amelioration of production and trade dislocations arising from the introduction of the Economic Partnership Agreement (EPA) with the European Union (EU);
- Skills training for productivity improvement; and
- Emergency response to trade related dislocation (a temporary interruption) arising from natural disaster.

The following types of activities are not eligible for CDF financing:

- Major infrastructure projects requiring the injection of significant capital (unless the project is co-funded from other sources);
- Complex programmes with multiple goals;
- Open ended budgetary and balance of payments support for Member Countries;
- Re-financing activities for sunset industries and for debt consolidation that does not create new or improved productive capacity; and
- Working capital.

The CDF is currently finalizing a cohesion policy for CARICOM, to guide CDF’s interventions in economic and social convergence for growth and sustainable development, within the envelope of its CAPs. The primary mission of the CARICOM Cohesion Policy is to reduce the gaps in the development of Member States, regions and sectors, in order to strengthen economic and social cohesion and, in so doing, support the CARICOM Strategic Goal of ‘Building Economic Resilience – Stabilisation and Sustainable Economic Growth and Development (Bachtler et al, 2019).

2.2 The CDF Strategic Plan

The CDF Strategic Plan (2015 – 2020) was endorsed in January 2016 by the CARICOM Community Council and covers the second cycle of CDF’s support to countries. It provides guidance on the CDF’s thematic priorities in the following areas:

i. Reducing regional disparities through support for programmes that mitigate the negative economic and social impact of the CSME as well as pre-existing structural constraints;
ii. Enhancing competitiveness and business development;

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iii. Promoting investment through support for specified infrastructure to facilitate private sector trade and investment;
iv. Human Resource Development; and

2.3 Congruence of CDF Strategic Plan (2015-2020) with GCF Investment Policies and Strategies

GCF financing support projects and programmes that demonstrate the maximum potential for a paradigm shift towards low-carbon and climate-resilient sustainable development, in accordance with the GCF’s results areas and consistent with a country-driven approach. Financing may be used by intermediaries to blend with their own financial resources in order to increase the level of concessionality of their financing. Only revenue-generating activities that are intrinsically sound from a financial point of view will be supported through loans by the Fund. GCF funds are to be used for mitigation and adaptation, with the adaptation allocation targeting particularly vulnerable countries including least developed countries and small island developing States. The GCF Private Sector Facility also seeks to maximize engagement with the private sector (GCF, 2014).

The CDF approach is aligned with all of the GCF criteria, and this presents an opportunity to combine GCF support with other financing available to the CDF, for projects with a mitigation and/or adaptation outcome. CDF therefore proposes to obtain accreditation to make it eligible to receive GCF support on behalf of the CARICOM Community. Table 1 analyses the congruence of the CDF and GCF strategies.

Table 1. Congruence of CDF Strategy with GCF Initial Criteria for Programme and Project Funding Decisions

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Definition</th>
<th>Sub-criteria</th>
<th>Congruence of CDF Strategy</th>
</tr>
</thead>
</table>
| Impact/result potential | Potential of the programme/project to contribute to the achievement of the Fund’s objectives and results areas | - Climate-related impact  
- Sustainable development impact | CDF’s mandate is to contribute to the inclusive and sustainable growth of an integrated Caribbean Community (CARICOM) through support to the disadvantaged countries, regions and sectors. |
| Paradigm shift potential | Degree to which the Fund can achieve sustainable development impact beyond a one-off project or programme investment through replicability and scalability.  
Systemic change towards low-carbon and climate- | - Potential for scaling-up and replication  
- Knowledge and learning potential  
- Contribution to the creation of an enabling environment (i.e. achieving systemic change) and to sustainable development, including social, economic and environmental co-benefits for a paradigm shift  
- Ability of a proposed activity to demonstrate its potential to adapt to the impacts of climate change | CDF operates across the CARICOM region and is positioned to support investments and enhance designs for replication as lessons are learned.  
CDF is presently developing the Credit Risk Abatement Facility which has significant paradigm shift potential in the areas of EE and RE. |
**Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)**

**November 2019**

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Definition</th>
<th>Sub-criteria</th>
<th>Congruence of CDF Strategy</th>
</tr>
</thead>
</table>
| **Needs of the beneficiary country/alternative funding sources** | Financing needs of the beneficiary country, or fewer available funding sources | - Absence of alternative sources of financing  
- Income levels of affected population | CDF is required to cultivate funding sources to supplement the contributions of Member States to the Fund.  
CDF targets disadvantaged member states within CARICOM. |
| **Country ownership and institutional capacity** | Beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions) | - Existence of a national climate strategy  
- Coherence with existing policies  
- Capacity of implementing entities or executing entities to deliver | CARICOM countries have climate adaptation and mitigate strategies, and the CDF CAPs they develop are consistent with these. CDF and FI due diligence assess capacity to deliver. |
| **Economic efficiency** | Benefit-cost ratio of activity: impact per US dollar delivered by the Fund | - Cost-effectiveness  
- Amount of co-financing  
- Industry best practices | CDF and FI due diligence and risk assessments project financial performance and viability of prospective projects. |
| **Financial viability (for revenue-generating activities)** | Financial soundness of activity | - Project or programme financial return (net of subsidy element) and other financial indicators (e.g. debt service coverage ratio) exceed predefined benchmarks | CDF and FI due diligence and risk assessments project financial performance and viability of prospective projects. |

### 2.4 GCF Key Measures of Progress

It is anticipated that programmes and projects put forward by CDF for GCF support will develop targets and indicators in the areas of:

i. **Energy**

The main indicators will include capacity installed (MW), improvement of energy efficiency (e.g. MWh saved) and the generation of renewable energy (e.g. MWh generated).

ii. **Sustainable Development**

The main indicators will include number of beneficiary SMEs, jobs created, training provided, income levels enhanced, appropriate technology transferred, and development of sustainable communities.
iii. Country ownership and institutional capacity

The main indicators will include alignment with existing national and regional climate policies, adaptation and mitigation strategies.

iv. Environment

The main indicators will include reduction of greenhouse gas emissions (e.g. in tons of CO2 equivalent) and other environmental benefits (e.g. human health, sustainable land use management, waste management, recycling and pollution abatement, best practice applied).

v. Financial viability and leverage

The main indicators include the amount of capital mobilized, and financial rates of return realized.
3.0 E&S Standards
The entity responsible for ensuring appropriate management of the project(s) (i.e. FIs and, in case of direct investment, CDF/NFP/EA) is responsible for putting systems in place to allow for a comprehensive and rigorous E&S assessment of impacts and risks, using an integrated approach to achieve a high level of protection of the environment. To achieve this, the CDF has incorporated the GCF/IFC ESS into its own operating and investment activities. These ESS are also incorporated into CDF’s contractual arrangements and Agreements with its FIs and NFPs/EAs, to ensure that the ESS are fully observed at the Borrower/Investee Project-level.

3.1 GCF/IFC Performance Standards and Gender Policy
The GCF has adopted the IFC Performance Standards (PSs), and also has a gender policy that must be complied with. The PSs consist of one overarching standard (PS 1) and seven standards (PS 2-8) covering specific issue areas. PS 1 covers the elements that need to be in place to help ensure that the remaining seven standards are implemented. Together these elements are called the Environmental and Social Management System (ESMS). The areas covered through the PSs are as follows.

**PS1: Assessment and Management of E&S Risks and Impacts**
- Policy
- Process for identifying risks & impacts
- Management programme
- Organisational capacity & competency
- Process for monitoring & evaluation
- External communications

**PS2: Labour and Working Conditions**

**PS3: Resource Efficiency and Pollution Prevention**

**PS4: Community Health, Safety, and Security**

**PS5: Land Acquisition and Involuntary Resettlement**

**PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

**PS7: Indigenous Peoples**

**PS8: Cultural Heritage**

The GCF emphasises the importance of gender equality in terms of access and impact of climate funding and promotes gender-sensitive solutions to all its activities in all countries, while accounting for national realities and priorities. The Governing Instrument of the Fund establishes a clear mandate to enhance a gender-sensitive approach in the Fund’s processes and operations. The integration of gender considerations within a funding proposal is one of the key requirements to access the
Fund. Gender considerations must be integrated in compliance with the GCF Gender Policy which aims to:

- achieve greater, more effective, sustainable and equitable climate change results, outcomes and impacts through the adoption of a gender-sensitive approach;
- build resilience to climate change equally for men and women, as well as to ensure that men and women equally contribute to and benefit from activities supported;
- mitigate risks for women and men associated with adaptation and mitigation activities financed by the Fund; and
- reduce the gender gap of social, economic and environmental vulnerabilities exacerbated by climate change.

3.2 Environmental and Social Risk Categorization of CDF-Financed Investments

All projects to be financed, whether by direct CDF investment in an EA or via an FI, are required to manage E&S risks associated with their operations or activities. Through the E&S review process, the scope of the E&S performance required of Borrowers/Investees is determined. In accordance with GCF requirements, this is based on proposed investment type, intended use of CDF proceeds, and level of E&S risk associated with Borrower/Investee operations.

3.2.1 Risk Categorization of FIs

Under the IFC/GCF Sustainability Policy, investments are categorized using an approach based on the relative magnitude of E&S risks and impacts. Investments involving FIs or delivery mechanisms involving financial intermediation are classified as “FI”. This category is further divided into FI-1, FI-2, and FI-3 to reflect the E&S risk profile of the existing and proposed portfolio of investments/financing activities associated with IFC/GCF’s financing. IFC considers the type, size, and sector exposure of the FI’s existing and proposed portfolio in determining the categorization. The three sub-categories of risk for FIs are defined as follows:

**Category FI-1**: when an FI’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

**Category FI-2**: when an FI’s existing or proposed portfolio comprises, or is expected to comprise, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

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2 Direct investments are classified from high to low E&S risk, as A, B or C.
Category FI-3: when an FI’s existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

3.2.2 Risk Categorization of Investments
The FIs and the CDF/NFP in the case of direct investment, will perform E&S due diligence on all Borrower/Investee Projects to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified through an E&S impact screening and, when relevant, an environmental assessment, including satisfactory and meaningful public consultation and participation as required. As part of the E&S due diligence, Borrower/Investee projects will be categorized based on the type of project and associated risk as outlined below:

Category A: Project E&S risk category assigned to activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented.

Category B: Project E&S risk category activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C: Project E&S risk category activities with minimal or no adverse environmental and/or social risks and/or impacts.

The initial categorization reflects the extent, significance and complexity of potential impacts and risks of the proposed Borrower/Investee project, the Borrower/Investee's ancillary/associated facilities/ infrastructure and its area of influence, thereby determining the appropriate E&S assessment and due diligence requirements.

3.3 ESMS Requirements of CDF and its FIs
CDF and its Borrowers/Investees are required to develop and operate an ESMS if the activities to be supported by GCF financing present E&S risks. CDF is required to conduct ESDD to identify environmental, social, labour, occupational health and safety, and security risks and impacts associated with its lending/investment activities:

i. of Borrower/Investee operations for direct investments;
ii. of FIs, for transactions managed by them.

To support development and continuous improvements of an ESMS, the IFC provides a range of ESMS toolkits, handbooks, guides and interpretation notes. CDF funding via FIs will primarily support SME proposed development that is consistent with the CAPs. The CDF itself may be treated as an FI, as it provides direct access to financing for projects proposed through the CAPs. As such, similar requirements for ESS will apply to both the CDF and the FIs that it engages with. The IFC has clarified the approach to be used for managing the E&S risk of both FI and SME operations. The
following IFC guidance is instructive for the application of the IFC PSs for SMEs and FIs:

1. Interpretation Note on Small and Medium Enterprises and Environmental and Social Risk Management³ (IFC, 2012(1))
2. Interpretation Note on Financial Intermediaries⁴ (IFC, 2012; updated 2018)

Projects supported by CDF (whether by direct investment or through FI) may occur across a multitude of sectors, and will vary significantly in scope, scale and potential E&S risk. The ESMS developed must therefore be sufficiently flexible to ensure E&S due diligence required is proportional to the level of E&S risk exposure. The business activities of FIs are reviewed to identify areas where all parties (including the GCF) could be exposed to E&S and associated risks such as credit or reputational risks through Borrower/Investees activities. The FI is required to undertake E&S risk assessment and management for its new lending/investment activities commensurate with the level of E&S risk, access to information tenor, and the FI’s influence on Borrower/Investee actions (the FI’s leverage). Such risk assessment ranges from review against the IFC Exclusion List to application of the PSs (IFC, 2012; updated 2018).

The CDF ESMS provides a dual layer of E&S risk management as outlined in Table 2.

### Table 2. Dual layer E&S risk management

<table>
<thead>
<tr>
<th>CDF/NFP</th>
<th>In the selection of FIs:</th>
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<tbody>
<tr>
<td></td>
<td>CDF verifies that the FIs it engages with are committed and able to comply with the guidelines and standards set forth in this ESMS as part of their due diligence, investment approval and investment monitoring.</td>
</tr>
</tbody>
</table>

|         | In the selection of direct investments: |
|         | NFP screens each proposed EA and Project to ascertain the associated risks and impacts, to determine the level of assessment required, and to ensure that any assessments carried out by the project are in line with CDF’s E&S standards. The CDF will verify the depth of due diligence and impact assessment necessary to eliminate or minimize to an acceptable level any adverse E&S impact. |

<table>
<thead>
<tr>
<th>FIs</th>
<th>In the selection of Borrower Projects</th>
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<tbody>
<tr>
<td></td>
<td>Each of their prospective Borrower/Investee projects is screened by FIs to determine the risks and impacts associated with the project, determine the level of assessment required and ensure that any assessments carried out by the project are in line with the FI’s ESMS and fully in accordance with this ESMS (which is aligned with the GCF/IFC ESS). FIs are expected to only support projects with appropriate mitigation measures and remediation plans, and adequate management systems to implement these plans.</td>
</tr>
</tbody>
</table>

³ [https://www.ifc.org/wps/wcm/connect/b8f8dde7-893b-4809-873c-0c825f0284ef/InterpretationNote_BORROWER/INVESTEE_2012.pdf?MOD=AJPERES&CVID=kzWZO1H](https://www.ifc.org/wps/wcm/connect/b8f8dde7-893b-4809-873c-0c825f0284ef/InterpretationNote_BORROWER/INVESTEE_2012.pdf?MOD=AJPERES&CVID=kzWZO1H)

⁴ [https://www.ifc.org/wps/wcm/connect/a6de7f69-89c8-4d4a-8cac-1a24ee0df1a3/FI+Interpretation+Note+November+2018.pdf?MOD=AJPERES&CVID=msNA7rQ](https://www.ifc.org/wps/wcm/connect/a6de7f69-89c8-4d4a-8cac-1a24ee0df1a3/FI+Interpretation+Note+November+2018.pdf?MOD=AJPERES&CVID=msNA7rQ)
FIs and CDF/NFPs are required to conduct ESDD at the Borrower/Investee transaction level. Through the respective ESDD processes, the CDF/NFP (for direct investments) or the FI can develop a Borrower/Investee Corrective Action Plan (ESMP) that identifies necessary mitigation measures or corrective actions to reduce risks and impacts of operations and proposed activities on the Borrower/Investee’s workers, communities, and the natural environment.

3.4 Application of GCF/IFC Performance Standards to CDF and FI Operations

The ESMS should incorporate relevant principles of IFC PS 1 (Assessment and Management of Environmental and Social Risks and Impacts).

Under IFC’s Sustainability Policy, all higher risk transactions are required to apply all of the PSs.

Table 3 assesses the applicability of the GCF/IFC PSs to possible CDF Direct Investments and FI transactions.

**Table 3: Assessment of the Applicability of the GCF/IFC Performance Standards to CDF Direct Investments and FI transactions**

<table>
<thead>
<tr>
<th>GCF / IFC Performance Standard</th>
<th>Requirements</th>
<th>Applicability to CDF ESMS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance Standard 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment and management of E&amp;S risks and impacts</td>
<td>This PS aims to identify and evaluate social and environmental impacts of the Project and prevent, minimize, and manage negative impacts on the population, communities, and the environment. It emphasizes the need for projects to consult affected communities appropriately. Borrower/Investee projects are classified as category A, B or C by GCF/IFC depending on their type, location, vulnerability, and scale of the project, and the scope and scale of potential impacts.</td>
<td>Potential environmental and social impacts could be caused by any project that includes physical works. This ESMS defines the processes to be adhered to for environmental assessments of prospective projects, the responsibilities of different actors, grievance mechanisms, stakeholder consultations, and dissemination of project information to ensure that potentially affected communities understand the risks, impacts, and opportunities of the proposed initiatives. CDF will only support projects for which appropriate mitigation measures, remediation plans and adequate management systems to implement these plans are developed, for all categories of projects.</td>
</tr>
<tr>
<td><strong>Performance Standard 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour and working Conditions</td>
<td>This PS aims to establish, maintain, and improve working relationships between workers and management. It promotes equal employment opportunity, equitable treatment of workers and guards against child and/or forced labour. Work conditions must be safe and healthy and promote the wellbeing of employees. The E&amp;S assessment must take into account worker protection and promote measures to protect the health and This is important to all aspects of design. These provisions are applicable to the CDF, all FIs, and Borrower/Investee projects. CDF, FIs and Borrower/Investees (including their contractors) are required to respect national labour laws and national commitments to International Labour Conventions in the course of their operations.</td>
<td></td>
</tr>
</tbody>
</table>
### GCF / IFC Performance Standard

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Applicability to CDF ESMS</th>
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</table>
| safety of workers and local communities. | This could be an important consideration for:  
- CDF direct investments e.g. in infrastructure development projects  
- Projects proposed to be undertaken by FI clients  
Appropriate environmental assessment for the risk category of project will identify potential impacts. Such impacts may typically be addressed through the application of best practice in the design, installation, operation and decommissioning of projects by Borrower/Investees and their contractors. IFC E&S guidance for the sector of operation will be complied with by all relevant parties. |

### Performance Standard 3

**Resource efficiency, pollution prevention and reduction**

This PS aims to reduce negative impacts on human health and the environment by minimizing pollution generated by project activities and by reducing emissions from project activities that contribute to climate change.

### Performance Standard 4

**Community health, safety and security**

This PS aims to:

1. Avoid or minimize risks and adverse impacts on the health and safety of the local communities during the project lifetime from both routine and non-routine circumstances.
2. Ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to the local community.

This could be important for projects likely to be undertaken through CDF or its FIs, depending on the sector and type of Borrower/Investee operation engaged in. Project environmental assessment appropriate to project E&S categorization and level of environmental risk will identify potential risks, recommended mitigations, and monitoring and evaluation steps. This will allow for impacts of Borrower/Investee and associated contractor activity on the health, safety and security of local communities to be identified, and measures imposed as required.

### Performance Standard 5

**Land acquisition and involuntary resettlement**

This PS aims to avoid or minimize displacement of people. When displacement cannot be avoided, it provides a framework for providing assistance to improve or at least restore income sources and/or other means of livelihood.

Land acquisition and involuntary resettlement are possible for large infrastructural projects undertaken as direct CDF investments. They are unlikely for projects funded through FIs. All projects will employ stakeholder engagement in proportion to likely risks. There will be rigorous community engagement for projects where displacement is possible or likely, and IFC guidance for these situations will be observed, to avoid or at least minimise any project-induced involuntary resettlement. The more stringent of IFC Performance standard requirements and national law, policies and procedures for land acquisition and compensation will be observed for persons affected, whether this be physical or economic displacement.

See Section 3.4.2 below for further discussion.
<table>
<thead>
<tr>
<th>GCF / IFC Performance Standard</th>
<th>Requirements</th>
<th>Applicability to CDF ESMS</th>
</tr>
</thead>
</table>
| **Performance Standard 6**  
_Biodiversity conservation and sustainable management of living natural resources_ | This PS aims to:  
1. Protect and conserve biodiversity  
2. Promote the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and development priorities | This could be important for a range of projects, e.g.  
- Direct investments in new infrastructure  
- New developments on virgin sites undertaken by FI clients that could adversely affect natural resources. The environmental assessments must take this issue into account. Potential impacts must be identified through a project specific environmental assessment, considering the sensitivity of the project location. |
| **Performance Standard 7**  
_Indigenous Peoples_ | This PS aims to:  
1. Ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples;  
2. Anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts;  
3. Promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner. | A number of project countries have significant populations of indigenous peoples, e.g. Belize, Guyana and Suriname. Adverse impacts on Indigenous Peoples as a group are possible depending on the scale and scope of the proposed project. Any such impacts will be mitigated through a project management system that includes implementation of best practice and community engagement including a grievance regress mechanism. IP concerns should be specifically mitigated through project design. Project designs must also ensure that Indigenous Peoples are afforded equitable access to project benefits. See Section 3.4.3 below for further discussion. |
| **Performance Standard 8**  
_Cultural heritage_ | This PS aims at protecting irreplaceable cultural heritage.  
The IFC defines cultural heritage as tangible objects and sites having archaeological (prehistorical), paleontological, historical, cultural, artistic and religious values, and unique natural features that embody cultural values such as sacred trees.  
This definition also includes intangible forms of culture such as knowledge, innovations, and cultural practices of communities embodying traditional lifestyles. | Adverse impacts on cultural heritage are possible. The environmental assessment must take this into account. Potential impacts must be identified through a project specific E&S impact assessment, considering the sensitivity of the sub-project location, so that risks will be fully identified and appropriate measures implemented. |
| **Gender integration Policy** | The Gender Policy of the GCF aims to:  
1. Ensure that through the adoption of a gender-sensitive approach, the GCF will have climate-change related results that are more efficient, sustainable, and equitable.  
2. Ensure better resilience and capacity for both women and men to address climate change and that women (and men) will contribute to and benefit from | This is a cross cutting issue that needs to be addressed in project designs.  
CDF as a CARICOM agency is guided by the CARICOM Gender Equality Policy. CDF will progressively adapt this Policy to better reflect the CDF’s specific mandate and peculiar operating parameters. Gender considerations to be integrated into project design are outlined in Appendix 3. These are guided by and congruent with |
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)  
November 2019

<table>
<thead>
<tr>
<th>GCF / IFC Performance Standard</th>
<th>Requirements</th>
<th>Applicability to CDF ESMS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the activities supported by GCF.</td>
<td>international agreements and reflect the principles set out in the Sustainable Development Goals. See Section 3.4.4 below for further discussion.</td>
</tr>
<tr>
<td></td>
<td>3. Address and mitigate the potential risks of the project that affect women or men through adaptation and mitigation activities supported by GCF.</td>
<td></td>
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<tr>
<td></td>
<td>4. Contribute to reduce the variation of impacts of climate change on women and men that heighten social, economic, and environmental fragilities.</td>
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</tr>
</tbody>
</table>

3.4.1 Application of Performance standard 1
An ESMS should typically consist of the following elements established by PS 1:

(i) E&S policy;
(ii) internal organisational capacity;
(iii) E&S due diligence (ESDD) processes/procedures to identify risks and impacts of borrowers/investees;
(iv) monitoring and review of portfolio;
(v) external communications mechanism; and
(vi) emergency preparedness and response.

These elements are addressed in greater detail in relation to CDF and its FIs, in Sections 5.0 through 10.0 of this ESMS. See Appendix 4 for a primer on ESMS requirements for CDF and its FIs. An ESMS is most effective and efficient if it is fully integrated into the existing risk management framework which may already consider E&S risk. Some FIs may already have an ESMS, and its elements may meet, or may need to be modified to meet, the requirements of IFC/GCF’s Sustainability Framework. E&S risk considerations may either be woven into existing procedures that apply at every stage of the transaction cycle or may be developed to stand alone in an ESMS operations manual that formally documents the E&S risk management process.

Screening of prospective Borrower/Investee Projects (whether financed via FI or by direct CDF/NFP investment) will be undertaken in the early project planning stages in order to assess the E&S acceptability of the Borrower/Investee’s existing operations and of the proposed project, and to determine whether further site-specific environmental assessment is required and what (if any) conditions should be applied to control existing operational and potential project risks and impacts. All operations are required to comply with national legislation and regulations as well as any obligations and standards in the relevant international conventions and multilateral agreements to which the host country is party to. All projects are to be screened against the Exclusion Lists (Appendix 2). For adverse impacts identified, the mitigation

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5 Examples of existing E&S risk management practices are verification of valid E&S permits and authorizations in compliance with national E&S regulations.
hierarchy (Appendix 1) should be applied to ensure that affected communities are better off with the development.

ESIA will likely be required by the relevant national authorities\(^6\) for Category A and high risk Category B transactions. Projects must be subject to an ESIA procedure if they are likely to have significant and material impacts and risks on the environment, human health and well-being and interfere with human rights. The ESIA must be consistent with the principles contained in IFC Guidance and best international practice. For some low risk Category B transactions, focused ESIA and Environmental and Social Management Plan (ESMP) may be required.

The entity in charge of managing the project(s) (i.e. FIs and, in case of direct investment, NFP/CDF) shall be responsible for putting in place its own systems that will allow for a comprehensive and rigorous environmental and social assessment of impacts and risks, using an integrated approach in order to achieve a high level of protection of the environment taken as a whole. ESIA or other environmental assessment deemed necessary will inform NFP/CDF and/or FI conditions for financing, and mitigation measures required to be integrated into Project-specific Corrective Action Plans (ESMP).

3.4.2 Application of Performance Standard 5 - Resettlement
CDF will adopt and require its FIs to adopt principles for resettlement set out under PS 5. Any project activities that may involve involuntary resettlement will comply with these principles to avoid or, at least minimize, project-induced resettlement.

A Resettlement Action Plan (RAP) will be required for all investments with involuntary resettlement impacts. Its level of detail and comprehensiveness is to be commensurate with the significance of potential involuntary resettlement impacts and risks. Appendix 5 provides a Resettlement Action Plan outline to be included in the preparations of Projects by CDF Investees and FIs. Project works will not commence before involuntary resettlement has been addressed in compliance with the principles and standards set out in PS 5 to the satisfaction of CDF.

It is not possible at this time to predict whether any resettlement will be needed as a pipeline of project has not been developed. However, countries presenting components or projects to CDF for financing that have the potential to include an element of involuntary resettlement are required to simultaneously provide a Resettlement Policy Framework (RPF). The RPF should include provisions that commit the EA to ensure that displaced persons are:

i. Informed of their options and rights pertaining to resettlement
ii. Effectively consulted and provided with feasible resettlement alternatives which take into account the suggestions of the affected community
iii. Provided prompt and effective compensation at full replacement cost for loss of assets attributable directly to the project
iv. Provided assistance (such as moving allowance) during relocation

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\(^6\)Agencies with responsibility for planning and/or environment.
v. Provided with at least equivalent residential housing, housing sites, agricultural or business sites, considering productive potential, locational advantages, and other factors.\(^7\)

vi. Compensated for loss of income for a transition period after resettlement, based on a reasonable estimate of the time likely to be required to restore their livelihood and standards of living.\(^8\)

vii. Assisted with livelihood restoration or improvement through provision of training, credit, job placement, and/or other types of assistance.

viii. Provided access to an appropriate grievance mechanism to facilitate effective and efficient response to concerns related to compensation and resettlement by both affected people and host communities.

3.4.3 Application of Performance Standard 7 - Indigenous Peoples

The GCF Indigenous Peoples (IP) Policy\(^9\) (GCF, 2018) recognizes that indigenous peoples often have identities and aspirations distinct from mainstream groups. They are frequently among the most economically marginalized and vulnerable population segments. Their capacity to defend their rights and interests relating to land and natural and cultural resources, and their ability to engage in and benefit from development initiatives may be limited by their economic, social and legal status. Unless specifically addressed, IP issues resulting from project implementation often include:

- Inadequate consultation on design or implementation of activities that will likely affect them
- Inequitable access to project benefits
- Benefits are not devised or delivered in a form that is culturally appropriate.

In Article XI of CARICOM’s Charter of Civil Society on the Rights of the Indigenous Peoples, The States recognise the contribution of the indigenous peoples to the development process and undertake to continue to protect their historical rights and respect the culture and way of life of these peoples.”

CDF will adopt and require its FIs and Investees located in CARICOM States countries where it is appropriate to do so, to adopt principles set out in PS 7, Indigenous Peoples. Any project activities that may involve such groups, including indigenous groups, will comply with the principles set out in PS 7 to avoid or minimize, or otherwise mitigate and remedy, potential harmful effects of Investee Projects to vulnerable individuals and groups whilst seeking to ensure that such populations duly benefit from such operations.

An Indigenous Peoples Plan (IPP) is required for all investments with impacts on Indigenous Peoples. Its level of detail and comprehensiveness is to be commensurate with the significance of potential impacts on Indigenous Peoples. Appendix 6 provides

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\(^7\) In exceptional cases when it is not possible, adequate compensation must be provided.

\(^8\) Compensation for loss of income is initially advised for the first three (3) months, and not exceeding a total of six (6) months.

an outline for preparation of an IPP. Where there is limited information on IPs potentially affected by the Investee Project, an Indigenous Peoples Planning Framework (IPPF) may provide guidance, key principles and processes, and other considerations to address issues of IPs.

Metrics that may be used to track the impact of investments on IP are outlined in Table 8.

3.4.4 Application of the GCF Gender Policy
The contents of GCF gender policy are summarised in Section 3.1. The CDF adopts CARICOM’s Gender Policy which is consistent with international agreements. CARICOM States also subscribe to the 2030 Sustainable Development Goals\textsuperscript{10}, and the CDF Projects will be required to integrate measures to support attainment of these.

The Caribbean Development Bank (CDB) has conducted gender assessments across the CARICOM region. These have so far been reviewed for two ESS project pilot countries (Saint Lucia and Belize), and measures have been identified for consideration in project designs (See Appendix 3). These measures seek to promote gender equality and female empowerment at the project implementation level. Project designs should abide by the GCF Gender policies and strategies. CDF requires project designers and FIs to consider gender dimensions across the full project cycle (development, construction and operation) and take actions to address any gender inequalities ensuring equal access and representation, and to promote direct positive benefits for women. Such actions are to be premised upon:

- Recognising and including measures to address potential gender inequalities in the project.
- Ensuring equal access of women and men to project resources, assets, benefits, opportunities, services, and capacity building.
- Ensuring equal participation of women and men in decision-making for the project.
- Collecting and analysing sex-disaggregated data and other information to assess the project’s gender impacts on an annual basis.

Metrics that may be used to track the gender impact of prospective investments are outlined in Table 8.

3.5 Application of Performance Standards to Internal CDF and FI Operations
All FIs must consider PS 1 for their operations. Regardless of the E&S categorization of their investments, all FIs must also agree to manage the working conditions of their workforce in accordance with relevant aspects of PS 2 on Labour and Working Conditions. For the financial sector this typically relates to employment practices and

\textsuperscript{10} Goal 4: Ensure inclusive and equitable education and promote life-long learning opportunities for all.
Goal 5: Achieve gender equality and empower all women and girls.
working conditions\textsuperscript{11}. Where there is public access to the FI’s buildings, FIs must agree to manage the life and fire safety risks in accordance with the WBG Environment, Health and Safety General Guideline.

\textsuperscript{11} The requirements of PS 2 addressed in paragraphs 7, 11, 12, 23, 27, 28 and 29 of PS 2 would be unlikely to apply to FIs, subject to confirmation by the FI's own assessment.
4.0 Processes for Environmental & Social Risk Management

4.1 Overview

CDF has developed guidelines and processes for managing E&S risk associated with proposed projects, whether financed directly, or via FIs. This section describes how these work to ensure that E&S risks of prospective projects are managed in accordance with GCF/IFC Standards and National Laws. These are enforced on two levels:

1. At the level of CDF/NFP, for selection of FIs and of Projects/EAs for implementation of Direct Investments at a national level and
2. At the level of the FI and their investments in Borrower/Investee Projects.

There are three procedures that govern implementation of E&S safeguards:

1. The procedure for screening, approval and agreement with EAs for CDF direct investments proposed under the CAPs to ensure they are committed and able to comply with applicable standards and national laws in their preparation and implementation of prospective projects.
2. The procedure for screening, approval and agreement with FIs to ensure they are committed and able to comply with applicable standards and national laws in their preparation, approval and investment in prospective Borrower/Investee projects.
3. The FI procedures for the preparation, approval and investment in projects, to ensure identification of potential E&S impacts that may arise from SME operations and their project activities, and implementation of requisite mitigations.

4.2 Roles and Responsibilities

4.2.1 Role of CDF

CDF’s responsibilities are:

i. to support sound FI structures that have been designed to meet GFC/IFC E&S standards and requirements as well as international best practice, and

ii. to ensure that its own structures meet the requisite standards, in relation to its direct investments, that have been identified and screened by the NFP in congruence with the approved CAP and national legislation, for implementation by national EA.

CDF roles include:

1. Providing information necessary for GCF to perform its due diligence;
2. Structuring its Direct Investments in accordance with CDF/GCF E&S standards and requirements;
3. Assessing the FIs and the EAs (for direct investments) against:
   • the relevant legal framework;
• GFC/IFC and CDF principles, standards and Exclusion Lists;
• capacity needs to implement all the E&S requirements.

4. Advising and assisting the FIs and EAs (for direct investments) in developing measures to manage the E&S impacts and risks of the operation consistent with GCF/IFC’s standards;
5. Building capacity within the FIs and EAs (for direct investments) as required;
6. Engaging in formal relationships with the FIs and EAs (for direct investments);
7. Identifying opportunities to enhance E&S outcomes; and
8. Monitoring the performance of the FIs and EAs (for direct investments) in accordance with the GCF/IFC E&S standards throughout the duration of the investment.

The CDF is supported and represented at a national level by the NFP.

A Loan or Grant Agreement will be signed between the CDF and each FI or EA (for direct investment) which defines the contractual investment relationship between and requirements of the two parties. The Agreement will include procedures for the approval of any deviation proposed by the FI or/EA (for direct investments) from the Agreement, and actions that would constitute a breach that could result in dissolution of the Agreement.

4.2.2 Role of NFP

NFP’s responsibilities are:

i. to identify areas suitable for CDF intervention;
ii. to represent the interests of the CDF at a national level;
iii. to liaise with all parties - the relevant ministries/departments, the FI, EA and the CDF;
iv. to ensure that projects are designed and implemented in accordance with prevailing best practice, and environmental and social risks are properly identified and managed, for sustainable development;
v. to maintain continuous oversight of progress towards CAP objectives, Component and Project implementation and compliance with the project Corrective Action Plans.

Specifically, the NFP:

i. Works collaboratively with the CDF to develop the CAP;
ii. Consults with local stakeholders to define and submit the CAP Summary for agreement with CDF;
iii. Identifies and guides local initiatives within the CAP that are eligible for technical and financial assistance from the CDF;
iv. Collaborates with public and private sector applicants to prepare and submit Components and Projects for funding;
v. Ensures that requisite environmental and social screening and assessment is undertaken;
vi. Facilitates country level approvals and other conditions precedent to the disbursement of the loan or grant, once approved;
vii. Manages toward the achievement of CAP objectives;
viii. Oversees and monitors the execution of Components and Projects to ensure compliance with the terms and conditions of the loan or grant agreement;
ix. Serves as Secretariat for the Programme Management Committee (PMC);
x. Facilitates meetings between CDF representatives with stakeholders and project sponsors;
xii. Ensure that EAs and the PMC provide scheduled progress reports to the CDF indicating the progress on outputs, outcomes and impacts and any deviations from the targets and actions to be undertaken to mitigate any problems encountered;
xii. With the EA, transmit at programme completion, the important lessons of experience learnt.

4.2.3 Role of the EA (for Direct Investments)
The EA is required to comply with E&S standards and requirements contractually agreed with CDF, including:

1. Undertaking any ESDD required in relation to its project;
2. Structuring its Project to meet CDF E&S standards and requirements;
3. Disclosing Project-related E&S information to CDF via the NFP;
4. Obtaining any E&S permits required;
5. Complying with relevant E&S laws, policies, standards, the Loan/Grant Agreement and Conditions;
6. Ensuring that any stakeholder engagement carried out meets project standards;
7. Implementing the project GRM;
8. Implementing ESMP/Corrective Action Plan agreed with the NFP and CDF;
9. Providing information necessary for the NFP and CDF to perform their due diligence;
10. Carrying out any supplemental studies that may be required, to the satisfaction of the NFP and CDF.
11. Providing periodic reports to the NFP and CDF against the required metrics in accordance with the terms of the Loan/Grant Agreement.
12. Providing annual E&S reports to the NFP and CDF for the duration of the Agreement with the CDF for, if the project is a Category A or B investment.

4.2.4 Role of the FI
Upon execution of its Grant/Loan Agreement, the FI is required to comply with contractually agreed E&S standards and requirements to the satisfaction of the NFP and the CDF, and to monitor project performance against these requirements as part of its ESMS. FIs are responsible for:

1. Providing information necessary for NFP and CDF to perform their due diligence;
2. Requiring compliance of its Borrowers/Investees with relevant legal standards and policies and managing potential E&S impacts associated with Borrower/Investee projects in its portfolio in order to achieve this;
3. Structuring its Borrower/Investee Projects to meet CDF E&S standards and requirements;
4. Disclosing Borrower/Investee Project-related E&S information to the NFP and CDF;
5. Ensuring that any stakeholder engagement carried out meets project standards;
6. Implementing the project GRM;
7. Carrying out any supplemental studies that may be required, to the satisfaction of NFP and CDF;
8. Providing periodic reports to the NFP and CDF against the required metrics in accordance with the terms of the Grant/Loan Agreement.
9. Providing annual E&S reports to the NFP and CDF.

4.2.5 Role of the FI Borrower/Investee

The FI Borrower/Investee is required to comply with contractually agreed E&S standards and requirements. The FI Borrower/Investee responsible for:

1. Obtaining any E&S permits required;
2. Complying with relevant E&S laws, policies, standards, Loan/Grant Agreement Covenants and Conditions;
3. Implementing ESMP/Corrective Action Plan agreed with the FI;
4. Implementing any stakeholder engagement required by the FI;
5. Providing annual E&S reports to the FI for the duration of its Agreement with the FI.

4.3 Guidelines and Processes at CDF Level for Investments

PS 1 requires establishment of a process to identify the E&S risks and impacts of CDF’s operations. The CDF ESMS will be integrated into the various stages of its lending/investment cycle and consistent with GCF/IFC guidelines. Each step will abide by the five-phase approach outlined below, to include EA and project screening, assessment, investment decision-making and monitoring. The E&S elements in the CDF investment cycle are as outlined in Table 4 below.

CDF Direct Investments will be public sector projects implemented by EAs. Requests for support via FIs will also be subject to these procedures.

Table 4. Five ESMS Phases Integrated with CDF’s Existing Risk Management Procedures and Key documents required

<table>
<thead>
<tr>
<th>Project phase</th>
<th>Activities</th>
<th>Key documents prepared by the CDF</th>
<th>Responsibility at Member State Level</th>
<th>Responsibility within CDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project screening</td>
<td>Initial Application/ Concept Note submitted by applicant (EA) to NFP. NFP approves or rejects</td>
<td>-</td>
<td>NFP reviews Concept Note against Concept Note Assessment Grid. NFP decides if applicant proceeds to next (Component/Project) document</td>
<td>NFP may request CDF assistance in developing Component /Project document. Director RDD decides if Programme Specialist, Environmental and Social Officer or external</td>
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## Project phase

<table>
<thead>
<tr>
<th>Project phase</th>
<th>Activities</th>
<th>Key documents prepared by the CDF</th>
<th>Responsibility at Member State Level</th>
<th>Responsibility within CDF</th>
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<tr>
<td>Concept Note. Pre-approved EA develops Component /Project document with NFP (and possibly CDF) assistance.</td>
<td>Component/Project document. Component/Project Results Framework. ESIA or Environmental Assessment Report (if required). Endorsement (or rejection) by IP involved if applicable. Component/Project Evaluation Sheet (Programme Specialist). IRC Scoring.</td>
<td>stage NFP assists applicant with development of Component /Project document.</td>
<td>assistance is warranted.</td>
<td></td>
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<tr>
<td>2.E&amp;S Due Diligence</td>
<td>NFP submits Component /Project document to assigned CDF Programme Specialist. Programme Specialist undertakes project appraisal and develops results framework. CDF Programme Specialist appraises Component /Project document. NFP collaborates with Programme Specialist on necessary changes to Component/Project Document. CDF undertakes internal evaluation of Component/Project Document.</td>
<td>NFP submits Component /Project document to assigned CDF Programme Specialist. NFP and EA work with Programme Specialist to ensure clear definition of Component/Project results and to undertake necessary changes to Component/Project Document.</td>
<td>Programme Specialist undertakes project appraisal (usually includes a desk review, site visit and categorisation of risk) in collaboration with CDF colleagues, including Social/Environmental Officer if required. Programme Specialist develops Component /Project Results Framework supported by Environmental and Social Officer. Programme Specialist assesses finalized Component/Project Document against the Component/Project Evaluation Sheet. Completed Component /Project document forwarded to Director RDD for Internal Review Committee (IRC) Review. Programme Specialist amends Component /Project document based on IRC feedback. External expertise may be procured by Director RDD. Director RDD finalizes and submits finalized components and designs to CEO for review.</td>
<td></td>
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<tr>
<td>3.Assessment</td>
<td>Evaluation of overall risk and determination</td>
<td>Component/Project Evaluation Sheet (CEO).</td>
<td>NFP collaborates with Programme Specialist on CEO evaluates Component/Project in accordance with</td>
<td></td>
</tr>
<tr>
<td>Project phase</td>
<td>Activities</td>
<td>Key documents prepared by the CDF</td>
<td>Responsibility at Member State Level</td>
<td>Responsibility within CDF</td>
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<tr>
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<td>of whether to proceed with transaction, and conditions.</td>
<td>Revised Component/Project Document.</td>
<td>necessary changes to Component/Project Document.</td>
<td>Component/Project Evaluation Sheet and may reject or require amendment. Programme Specialist collaborates with NFP on necessary changes. CEO, advised by Director RDD developd recommendations for type and quantum of assistance (Loan, grant, TA).</td>
</tr>
<tr>
<td>4. Investment decision, approval and Conditions of Financing in Investment Agreement</td>
<td>Grant/loan/TA decision and Agreement.</td>
<td>Component/Project Document. Component/Project Evaluation Sheet (CEO). Board Decision with conditions. Board Meeting Minutes. Letter of Approval. Loan/Grant Agreement.</td>
<td>NFP and EA receive Letter of Approval. NFP and EA confirm acceptance of proposed terms and conditions. NFP and EA review Loan Agreement. NFP and EA execute agreement with CDF.</td>
<td>CEO makes recommendations for Board consideration. Board reviews. Board Secretary conveys Board decision to Director RDD and minutes Board Meeting. Programme Specialist prepares decision letter for CEO signature. Letter of Approval includes terms and conditions for approved projects. Legal Counsel drafts Loan/Grant Agreement for approved project in collaboration with Programme specialist, outlining roles and responsibilities in Component/Project implementation, monitoring and reporting. Director RDD vets Loan Agreement. Legal Counsel sends Loan Agreement to NFP. CDF executes Loan Agreement with NFP and EA.</td>
</tr>
<tr>
<td>5. E&amp;S Compliance Monitoring</td>
<td>Grant/Loan monitoring and reporting.</td>
<td>Component/Project Monitoring Framework reports. Annual Reports</td>
<td>EA submits monthly or quarterly Component/Project Progress Reports</td>
<td>Programme Specialist monitors activity through report review and intermittent (usually biannual) site visits.</td>
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4.3.1 Project Screening
The following identifies requirements of the NFP on behalf of the CDF at the project screening stage.

**Initial Application/ Concept Note**

1. NFP to screen the proposed investment for potential E&S issues at an early stage:
   - Check the project against: **Exclusion List, National Laws, E&S Safeguards**
   - Assign an Environmental Category (A, B or C):
     - **Category C**: activities which typically have little or no environmental impact.
     - **Category B**: activities for which the E&S impacts can be readily predicted, prevented and/or mitigated. Typically, this does not need a detailed expert appraisal.
     - **Category A**: activities which have the potential to cause significant E&S impact and will probably require detailed environmental & social appraisal by independent experts.

   In order to assign the appropriate categorisation, the results of the screening process and the points outlined in the Checklist in Appendix 7 must be considered. NFP may require screening support from ministry responsible for environment or planning.

2. Under the heading “Environmental & Social Issues”, NFP to provide a short statement addressing the following points:
   - Conformance with the Exclusion List
   - Environmental Category ((A, B or C) and potential/known E&S status/issues
   - Proposed E&S due diligence (see steps 3 and 4)

4.3.2 Due Diligence
The following identifies requirements of the EA, NFP and CDF at the due diligence stage. Director, RDD will determine the extent to which CDF may support external due diligence requirements.
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)
November 2019

<table>
<thead>
<tr>
<th>Internal due diligence</th>
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<tr>
<td>3. Internal E&amp;S due diligence requirements are dictated by the level of risk and project-specific circumstances. Typically:</td>
</tr>
<tr>
<td>• <strong>Category C</strong>: NFP to ensure that the EA has all relevant EHS permits and complies with applicable National E&amp;S Laws and regulations and (if applicable) the PSs, for the proposed project. Document the conclusion that proposed activity will have minimal or no potential E&amp;S risks or adverse impacts.</td>
</tr>
<tr>
<td>• <strong>Category B</strong>:</td>
</tr>
<tr>
<td>(1) NFP to ensure that the EA has all required EHS permits, and the project complies with applicable National E&amp;S Laws and regulations (through inspection of documents and/or discussions with relevant authorities)</td>
</tr>
<tr>
<td>(2) EA to investigate and resolve any issues of concern. Some corrective actions may need to be set as (pre) conditions of investment. If there are issues outside the EA/NFP's competence, an independent expert may be required to undertake a limited review.</td>
</tr>
<tr>
<td>• <strong>Category A</strong>: For projects in this category, national legislation will require the EA to conduct an ESIA. Conditions developed through the ESIA process should be set as (pre-) conditions for the CDF investment Agreement.</td>
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<tr>
<th>External due diligence</th>
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<tr>
<td>4. Typical requirements for external third-party E&amp;S due diligence are as follows:</td>
</tr>
<tr>
<td>• <strong>Category C</strong>: Not normally required.</td>
</tr>
<tr>
<td>• <strong>Category B</strong>: If necessary to support in-house expertise (whether within CDF, NFP or EA), an independent expert or consultant may be required to provide a second opinion or undertake a limited review of specific issues. Safeguards instruments required are a limited focus ESIA (applied to specific relevant issues) and an ESMP or Corrective Action Plan detailing measures to be undertaken through the project to mitigate risks. ESIA TOR should be developed specific to the project. A letter report is normally sufficient.</td>
</tr>
<tr>
<td>• <strong>Category A</strong>: ESIA by independent consultants for review by CDF.</td>
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</table>

| Note: |
| 1. **ESDD Findings** should be documented in a report or internal records, including recommendations on whether to proceed with financing and any conditions of investment, such as ESMP (Corrective Action Plan) items agreed with the EA to mitigate identified E&S risks and impacts. The ESMP (Corrective Action Plan) should outline key E&S performance gaps in an EA's operations identified during the ESDD or monitoring (as described below), as well as proposed mitigation measures and a timeline to ensure compliance with applicable national E&S laws and regulations and the PSs (where required). ESMPs (Corrective Action Plans) may range from basic mitigation measures to detailed management plans, with actions that can be measured quantitatively or qualitatively. |
| 2. The CDF should develop the necessary supporting **guidance documents and check lists** (See Appendix 7 for a sample for modification) for use by its staff. These should reflect E&S issues that will be reviewed, as well as other factors that will be considered to review compliance with the CDF's E&S policy. This may be generated by reviewing E&S issues associated with the relevant industry sector (sectoral issues are widely covered in the World Bank Group industry specific Environmental, Health and Safety Guidelines). |

**4.3.3 Investment Decision**
The following identifies requirements of the CDF at the investment decision stage.
5. The CDF Board Paper should include standard general conditions regarding compliance with applicable National E&S Laws and regulations. If internal and/or external E&S due diligence has identified any specific issues of concern, appropriate mitigating measures must be put in place. This may require preparation of, and agreement to, a detailed ESMP (Corrective Action Plan) and a project-level grievance mechanism based on the ESIA recommendations. The requisite measures should be referred to in the Board Decision.

A brief summary of the relevant E&S issues should be included in the Board Paper. This section should briefly describe:

- The environmental category assigned to the investment (C, B or A);
- Environmental & social due diligence approach and findings;
- Recommended solution to any issues arising;
- Any issues which remain unresolved and how they may be resolved.

6. The Board decision will include Board conditions and requirements to be incorporated into the Grant/Loan Agreement.

4.3.4 Investment Agreement

The following identifies requirements of the CDF at the investment agreement stage.

7. The CDF Grant/Loan Agreement should be guided by the CDF Board Decision and include appropriate E&S clauses. This may include:

- General E&S definitions (of standard E&S terms), representations and warranties, disbursement conditions, and/or covenants regarding compliance with requirements defined by the CDF’s E&S policy.
- A general environmental warranty/covenant that the EA is currently in compliance with the applicable National E&S Laws and regulations and (if applicable) any IFC/GFC ESS and will remain in compliance for so long as the CDF is a shareholder.
- For investments classified as Category A or B, the Agreement should also contain an undertaking by the EA to provide the NFP and CDF with an annual report on its EHS and social status. The format of this report should be decided on a case-by-case basis: in straightforward cases, it may be sufficient to obtain a short letter representing that the project remains in compliance and has not experienced any material incidents. In more complex situations (such as Category A projects and/or where the investment is conditional on a Corrective Action Plan (ESMP)), a detailed report may be required.
- The timeframe for implementing specific mitigation measures. This will vary according to the E&S risk and may range from being a condition of transaction approval to a condition of disbursement or post investment condition.
- Requirement for EA to notify NFP and CDF about material changes in its operations that may result in changed E&S risks and impacts.
- A general requirement to have a project-level grievance mechanism commensurate with the risks and impacts of the project.
- Any specific conditions decided on a case-by-case basis. In particular, if the investment is conditional upon the implementation of an ESMP, this undertaking should be clearly set out in the Investment Agreement and the ESMP itself should be included in the Agreement as an annex.
4.4 Guidelines and Processes at CDF Level to Confirm Eligibility of FIs

The CDF makes significant levels of concessional resources available to SMEs through national FIs, usually the national development banks. All CDF private sector loan applicants are required to submit applications for CDF support through FIs, in accordance with the FI’s requirements (CDF, 2016). The FI will conduct its own E&S screening before submitting a Concept Note to the NFP. Each FI will operate its own ESMS process, integrated into the various stages of its lending/investment cycle. This process is outlined in Section 4.5 below.

CDF adopts a five-phase approach to ensure that the FIs that it engages with have the institutional capacity and procedures to implement Borrower/Investee Projects that are compliant with GCF/IFC E&S policies. These result in key documents prepared by the CDF, as outlined in Table 5. Once CDF has determined that the FI meets the necessary E&S requirements, the process is not repeated, unless there is a change in circumstances that warrants it. The FI will then be in a position to make specific project submissions to CDF via the NFP in accordance with the process outlined in the previous section 4.3.

Table 5. Five Phases and Key Documents Required of FIs to Confirm that FI Procedures and ESMS are Acceptable

<table>
<thead>
<tr>
<th>Project phase</th>
<th>Key documents prepared by CDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Initial FI screening</td>
<td>FI Screening Report</td>
</tr>
<tr>
<td>2. Due Diligence</td>
<td>Due Diligence Report</td>
</tr>
<tr>
<td>3. Investment decision</td>
<td>IRC Recommendations</td>
</tr>
<tr>
<td>4. Investment agreement</td>
<td>Side Letter</td>
</tr>
<tr>
<td>5. Monitoring</td>
<td>See Section 8.0 for details of monitoring and reporting requirements</td>
</tr>
</tbody>
</table>

4.4.1 FI Screening

Matters to consider in assessing the E&S capacity of the FI are listed in Appendix 8 to this ESMS. The following identifies requirements of the CDF in relation to the prospective FI at the screening stage.

<table>
<thead>
<tr>
<th>Actions related to E&amp;S Matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CDF to check FI activities against Project Exclusion Lists (see Appendix 2) and national legal requirements</td>
</tr>
<tr>
<td>• CDF to identify ‘red flags’ at the FI level as well as in the prospective FI’s pipeline of projects (to the extent these latter are available)</td>
</tr>
<tr>
<td>• CDF to assign an Environmental Category (FI-1, FI-2 or FI-3) to the asset class to be supported by the FI12:</td>
</tr>
<tr>
<td>- <strong>Category FI-3</strong>: FI’s existing or proposed (GCF-financed) portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.</td>
</tr>
</tbody>
</table>

12 Note that this categorization may only apply to the GCF financed investments.
- portfolio activities which typically have little or no environmental impact.
- **Category FI-2**: FI’s existing or proposed (GCF-financed) portfolio comprises business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- **Category FI-1**: FI’s existing or proposed (GCF-financed) portfolio includes substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

- CDF to review FI’s E&S documentation, its E&S policies and ESMS, if already available, against CDF / GCF requirements
- CDF to assess FI commitment to E&S principles
- CDF to benchmark against GCF/CDF’s key targets
- CDF to review the FI’s capacity to deliver on its ESMS
- CDF to draft the Appraisal Authorization request

### Documents to be submitted by FI management

- FI ESMS to the satisfaction of CDF
- FI Borrower/Investee investment proposals (if available)

### Outputs prepared by CDF

- FI Screening Report: submitted to the Director RDD by Programme Specialist, requesting no-objection to proceed to Due Diligence phase

### Role of the document as it relates to E&S Matters

**FI Screening Report** includes:

- assessment of FI’s commitment and ability to manage E&S risks in relation to projects proposed for GCF funding
- ‘red flags’ to be checked in detail during Due Diligence phase

## 4.4.2 Due Diligence

The following identifies requirements of the CDF in relation to the FI at the due diligence stage.

### Actions related to E&S Matters

**1. Desk Review:**

- CDF to conduct detailed review of FI’s E&S documentation
- CDF to benchmark FI against key project targets
- CDF to conduct detailed review of the pipeline projects (as available) and flag any potential E&S issues
- CDF to verify E&S capacity of the FI (personnel, budget, experience)
- CDF to conduct Know Your Customer (KYC) checks on the FI

**2. Site Visit:**

- CDF team (Programme Specialist and social/environmental expert) to conduct site visits to:
  - assess FI’s track record in management of E&S matters
  - assess adequacy and implementation status of FI’s E&S management systems including grievance mechanism
  - assess ability to comply with local applicable laws, regulations and standards as well as GCF/IFC ESS
  - assess ability to carry out KYC checks of prospective Borrower/Investee beneficiaries
  - identify gaps, and resources and approach needed to address them
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)  
November 2019

- CDF to prepare *Due Diligence Report* for the Internal Review Committee (IRC) summarizing DD findings (CDF Programme Specialist and E&S experts)

### Documents to be submitted by FI

- ESMS  
- Exclusion list  
- Templates (and/or samples) for E&S risk assessments  
- Process for FI level grievance mechanism  
- E&S Action Plan at a FI level that include requirements in relation to gender and vulnerable groups as required

### Outputs prepared by CDF

- *Due Diligence Report* submitted to the IRC by the Programme Specialist, with findings and recommendations

### Role of the documents as they relate to E&S Matters

- *Due Diligence Report* includes:  
  - Assessment of FI E&S risks and opportunities  
  - Assessment of FI’s current E&S capabilities, identification of gaps and risks, and mitigation measures the FI will have to put in place.  
  - Assessment of the potential of the FI to add E&S value at the project-level  
  - Outline of measures the CDF team plans to put in place to ensure the FI implements and complies with GCF/IFC standards  
  - Grading of the FI against CDF/GCF targets

#### 4.4.3 Investment Decision

The following identifies requirements of the CDF at the investment decision stage.

- IRC to review the materials submitted  
- IRC to develop recommendations to be implemented by the FI, to address any gaps and risks identified in relation to CDF-funded investments  
- Programme Specialist to write Board Paper for review by Director RDD, and then by CEO  
- Board take decision based on submissions and CEO recommendations

#### 4.4.4 Investment Agreement

The following identifies requirements of the CDF in relation to the FI at the investment agreement stage.

### Actions related to E&S Matters

- CDF and FI negotiate side letter in relation to GCF funded investments

### Documents to be submitted by FI

- ESMS  
- Exclusion list  
- Templates (and/or samples) for E&S Risk Screening and Assessments  
- Process for an FI level grievance mechanism  
- E&S Action Plans

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## 4.5 Guidelines and Processes at FI Level for Selection of Borrowers

PS 1 requires establishment of a process to identify the E&S risks and impacts of the FI’s operations, and development of ESMP or Corrective Action Plans to address the identified E&S risks and impacts may be required. This requires the FI to conduct ESDD at the individual transaction level, to:

1. identify the environmental, social, labour, occupational health and safety, and security risks and impacts associated with the business operation being considered for financing, and
2. identify mitigation and/or corrective measures as necessary for Borrower/Investee operations.

Each FI will integrate its ESMS process into the various stages of its lending/investment cycle and consistent with IFC guidelines. Each step in the process will abide by the five-phase approach outlined in Table 6 below, to include Borrower/Investee project screening, assessment, investment decision-making and monitoring. Documentation developed by the FI at each stage of its process should be submitted to the NFP for its submission to the CDF.

### Table 6. Five Phases Integrated with FI’s Existing Risk Management Procedures and Key documents required

<table>
<thead>
<tr>
<th>Project phase</th>
<th>FI Credit Appraisal Process</th>
<th>Key documents prepared by the FI</th>
<th>Responsibility within FI</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Project screening</td>
<td>Application for credit</td>
<td>Concept Note</td>
<td>Loan Officers/Relationship Managers</td>
</tr>
<tr>
<td></td>
<td>Process</td>
<td>Component /Project document</td>
<td></td>
</tr>
<tr>
<td>7. E&amp;S Due Diligence</td>
<td>Credit appraisal</td>
<td>Due Diligence Report</td>
<td>Credit Analysts/Investment Analysts</td>
</tr>
<tr>
<td></td>
<td>(usually includes a site</td>
<td>E&amp;S Assessment Report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>visit and categorisation</td>
<td>Endorsement (or rejection) by IP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of risk)</td>
<td>involved if applicable</td>
<td></td>
</tr>
<tr>
<td>8. Investment decision</td>
<td>Evaluation of overall risk</td>
<td>Review and approval of proposed</td>
<td>Credit Committee review</td>
</tr>
<tr>
<td></td>
<td>and determination</td>
<td>terms and</td>
<td>Board</td>
</tr>
</tbody>
</table>


4.5.1 Project Screening
The following identifies requirements of the FI and NFP at the project screening stage.

<table>
<thead>
<tr>
<th>Project phase</th>
<th>FI Credit Appraisal Process</th>
<th>Key documents prepared by the FI</th>
<th>Responsibility within FI</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Approval and Conditions of Financing in Investment Agreement</td>
<td>Credit approval</td>
<td>FI Limited Partnership Agreement and Side Letter with Borrower/Investee</td>
<td>Loan Officer/Relationship Managers; Legal Department</td>
</tr>
<tr>
<td>10. E&amp;S Compliance Monitoring</td>
<td>Loan monitoring and reporting</td>
<td>Annual Reports against key metrics as defined by CDF. Annual E&amp;S reports See details outlined in Section 8.0</td>
<td>Loan Officer/Relationship Managers</td>
</tr>
</tbody>
</table>

### Initial Application/ Concept Note

1. FI to screen the proposed Borrower/Investee investment for potential E&S issues at an early stage:
   - FI to check the project against: **Exclusion List, National Laws, E&S Safeguards**
   - FI to assign an Environmental Category (A, B or C):
     - **Category C**: activities which typically have little or no environmental impact.
     - **Category B**: activities for which the E&S impacts can be readily predicted, prevented and/or mitigated. Typically, this does not need a detailed expert appraisal.
     - **Category A**: activities which have the potential to cause significant E&S impact and will probably require detailed environmental & social appraisal by independent experts.
   - In order to assign the appropriate categorisation, the results of the screening process and the points outlined in the Checklist in Appendix 7 must be considered.
   - FI to Submit Concept Note to NFP for screening.
   - NFP to advise FI if Concept Note is pre-approved.

### Component /Project document

2. If Concept Note is pre-approved by NFP, FI to develop the Component/Project document, to include, under the heading “Environmental & Social Issues”, a short statement addressing the following points:
   - Conformance with the Exclusion List
   - Environmental Category (A, B or C) and potential/known E&S status/issues
   - Proposed E&S due diligence (see steps 3 and 4)
   - FI to submit Component/Project document to NFP for screening.
   - NFP to assist FI with development of Component/Project document.
4.5.2 Due Diligence

The following identifies requirements of the FI at the due diligence stage.

### Internal due diligence

3. Internal E&S due diligence requirements are dictated by the level of risk and project-specific circumstances. Typically:

- **Category C:** FI to ensure that the Borrower/Investee Project has all relevant EHS permits and complies with applicable National E&S Laws and regulations and (if applicable) the PSs. Document the conclusion that proposed lending/investment activity will have minimal or no potential E&S risks or adverse impacts.

- **Category B:**
  1. FI to ensure that the Borrower/Investee Project has all required EHS permits and complies with applicable National E&S Laws and regulations (through inspection of documents and/or discussions with relevant authorities)
  2. If applicable, FI to check that the company’s activities are consistent with Standards.
  3. FI to investigate and resolve any issues of concern. Some corrective actions may need to be set as (pre-) conditions of investment. If there are issues outside the FI’s competence, an independent expert may be required to undertake a limited review.

- **Category A:** For project’s in this category, national legislation will require an ESIA. Conditions developed through that process should be set as (pre-) conditions of the Borrower/Investee investment.

### External due diligence

4. Typical requirements for external third-party E&S due diligence are as follows:

- **Category C:** Not normally required.

- **Category B:** If necessary to support in-house expertise, an independent expert or consultant may be required to provide a second opinion or undertake a limited review of specific issues. Safeguards instruments required are a limited focus ESIA (applied to specific relevant issues) and an ESMP or Corrective Action Plan detailing measures to be undertaken through the project to mitigate risks. TOR should be developed specific to the project. A letter report is normally sufficient.

- **Category A:** ESIA by independent consultants for review by FI.

CDF may consider supporting external expert costs for Environmental Assessment required.

### Note:

3. **ESDD Findings** should be documented in a report or internal records, including recommendations on whether to proceed with financing and any conditions of investment, such as Corrective Action Plan (ESMP) items agreed with the Borrower/Investee to mitigate identified E&S risks and impacts within their operations. The Corrective Action Plan (ESMP) should outline key E&S performance gaps in a Borrower/Investee’s operations identified during the ESDD or monitoring (as described below), as well as proposed mitigation measures and a timeline to ensure compliance with applicable national E&S laws and regulations and the PSs (where required). Corrective Action Plan (ESMP) may range from basic mitigation measures to detailed management plans, with actions that can be measured quantitatively or qualitatively.

4. The FI should develop the necessary supporting **guidance documents and check lists** (See Appendix 7 for a sample for modification) for use by its staff. These should reflect E&S issues that will be reviewed, as well as other factors that will be considered to review compliance with the FI’s E&S policy. This may be generated by reviewing E&S issues associated with those industry sectors to which the FI portfolio is most exposed to (sectoral issues are widely covered in the World Bank Group industry specific Environmental, Health and Safety Guidelines).
Due Diligence outputs are submitted to the NFP for review and transmission to the CDF where they will be reviewed as part of the appraisal process conducted by the CDF Programme Specialist. Submissions are reviewed as required by the FI and NFP.

4.5.3 Investment Decision
If the project receives CDF approval, the FI (via the NFP) will receive a Letter of Approval from the CDF, and the CDF’s proposed terms and conditions. The FI will discuss these with the Borrower/Investee before confirming acceptance of the proposed terms.

The following describes the engagement between the FI and the Borrower/Investor that occurs in parallel with the FI/NFP/CDF process.

<table>
<thead>
<tr>
<th>Term Sheet / Negotiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. The Term Sheet should include standard general conditions regarding compliance with applicable National E&amp;S Laws and regulations. If internal and/or external E&amp;S due diligence has identified any specific issues of concern, appropriate mitigating measures must be put in place. This may require preparation of, and agreement to, a detailed Corrective Action Plan (ESMP) and a project-level grievance mechanism based on the ESIA recommendations. Terms and conditions required by the CDF must be incorporated. The requisite measures should be referred to in the Term Sheet.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. A brief summary of the relevant E&amp;S issues should be included in the Investment Proposal for consideration by the Credit Committee. This section should briefly describe:</td>
</tr>
<tr>
<td>• The environmental category assigned to the investment (C, B or A);</td>
</tr>
<tr>
<td>• Environmental &amp; social due diligence approach and findings;</td>
</tr>
<tr>
<td>• agreed solution to any issues arising;</td>
</tr>
<tr>
<td>• any issues which remain unresolved and require consideration by the Credit Committee.</td>
</tr>
</tbody>
</table>

4.5.4 Investment Agreement
Upon their acceptance of the proposed terms, the CDF will provide the NFP and the FI with a draft Loan Agreement for their review. If acceptable, the FI and NFP will execute the Agreement with the CDF. The following describes the engagement between the FI and the Borrower/Investor that occurs in parallel with the FI/NFP/CDF process.

The following identifies requirements of the FI at the investment agreement stage.

<table>
<thead>
<tr>
<th>Investment Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. In line with the Term Sheet, the Investment Agreement (or equivalent instrument) should include appropriate environmental &amp; social clauses. This may include:</td>
</tr>
<tr>
<td>• General E&amp;S definitions (of standard E&amp;S terms), representations and warranties, disbursement conditions, and/or covenants regarding compliance with requirements defined by the FI’s E&amp;S policy.</td>
</tr>
<tr>
<td>• A general environmental warranty/covenant that the company is currently in compliance with the applicable National E&amp;S Laws and regulations and (if applicable) any IFC/GFC ESS, and will remain in compliance for so long as the FI is a shareholder;</td>
</tr>
<tr>
<td>• For investments classified as Category A or B, the Agreement should also contain an undertaking by the Borrower/Investee to provide the FI with an annual report on its EHS</td>
</tr>
</tbody>
</table>
and social status. The format of this report should be decided on a case-by-case basis: in straightforward cases, it may be sufficient to obtain a short letter representing that the company remains in compliance and has not experienced any material incidents. In more complex situations (such as Category A projects and/or where the FI’s investment is conditional on an ESMP or Corrective Action Plan), a detailed report may be required.

• The timeframe for implementing specific mitigation measures. This will vary according to the E&S risk and may range from being a condition of transaction approval to a condition of disbursement or post investment condition.

• Requirement for Borrower/Investee to notify FI about material changes in its operations that may result in changed E&S risks and impacts.

• A general requirement to have a project-level grievance mechanism commensurate with the risks and impacts of the project.

• Any specific conditions decided on a case-by-case basis. In particular, if the FI’s investment is conditional upon the implementation of a Corrective Action Plan (ESMP), this undertaking should be clearly set out in the Investment Agreement and the Corrective Action Plan (ESMP) itself should be included in the Agreement as an annex.
5.0 E&S Policy required of CDF and its FIs

5.1 Overview
PS 1 requires establishment and maintenance of an overarching policy defining the entity’s E&S objectives and principles to guide sound E&S performance. There is no standard content for an E&S policy which should be tailored to the specific objectives of the entity, reflecting its key E&S priorities and concerns as well as the E&S Standards that beneficiaries of the entity’s support are required to comply with. It is a short, written statement that articulates the entity’s commitment to integrating E&S considerations into its business activities as well as contributions to sustainable development.

The IFC ESMS Toolkit - General (2015) provides:

- a Checklist for Developing a Company Policy Statement. This is provided in Appendix 9 for reference.
- a sample CEO internal letter announcing the ESMS to employees. This is provided in Appendix 10.

The E&S policy should be approved and supported by the entity’s senior management and Board.

The E&S policy should be actively communicated to employees at all levels and functions.

The E&S policy should be externally communicated through public disclosure, presented in corporate statements and reports, and published on the entity’s website.

5.2 E&S Policy Content Required
The E&S policy states the entity’s vision and mission, serving as the foundation within which the objectives and procedures of the ESMS are anchored. It may include the following statements and commitments:

- Incorporating E&S risk considerations into all financing activities;
- Setting strategic E&S objectives;
- Excluding beneficiaries whose activities do not meet entity’s principles;
- Establishing E&S requirements for entity beneficiaries such as complying with national E&S regulations and international standards;
- Communicating E&S expectations to all staff, clients/investees and other external stakeholders;
- Committing to improving the overall E&S performance of its portfolio through enhanced risk management;
• Committing to develop and maintain the necessary internal capacity and structure for its implementation, continually building capacity of its staff to identify E&S risks, including E&S and investment officers/analysts.

A draft CDF Environmental and Social Policy is provided in Appendix 11.
6.0 Institutional capacity required of CDF and its FIs

Under IFC PS 1, IFC/GCF clients are required to establish and maintain an organisational structure that defines roles, responsibilities, and authority to implement the ESMS. The organisational capacity needs will vary depending on the E&S risk profile of the portfolio. The institution may use qualified in-house staff and/or retain external experts to conduct the necessary ESDD for transactions with the intent of meeting all applicable requirements of national E&S laws and regulations and, where applicable (i.e. Category A projects), the PSs.

The institution’s senior management is ultimately responsible for E&S risk management and should allocate sufficient resources to implement the ESMS. This requires designating and communicating E&S responsibilities to relevant personnel to conduct the necessary ESDD and incorporating ESDD conclusions into the monitoring regime for investment decision making processes at both the transaction and portfolio levels. The Board is expected to play an oversight role in monitoring of ESMS implementation, including reporting on E&S risk management.

The institution should ensure that responsible staff has sufficient knowledge for managing the E&S risks, as well as implementing and maintaining the ESMS. Training programmes are an important component to ensure that all relevant personnel understand their E&S responsibilities. Training and awareness of investment, legal, and credit officers on the organisation’s EHS requirements and the ESMS are important.

For the CDF ESMS to function properly, it is essential that roles and responsibilities for carrying out the necessary procedures and making decisions are clearly defined, in the areas depicted in Figure 1 below.

**Figure 1. E&S roles within the NFP, CDF and its FI**

<table>
<thead>
<tr>
<th>COMMITMENT TO E&amp;S POLICY</th>
<th>FI</th>
<th>NFP</th>
<th>CDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td></td>
<td>NFP is part of a national government which has national environmental and social policies and international commitments</td>
<td>Senior Management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ESMS IMPLEMENTATION</th>
<th>FI</th>
<th>NFP</th>
<th>CDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESMS Officer</td>
<td></td>
<td>NFP is supported by a PMC that includes agencies with environmental and social capacity</td>
<td>ESMS Officer</td>
</tr>
<tr>
<td>ESMS Coordinator</td>
<td></td>
<td></td>
<td>ESMS Coordinator</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E&amp;S SCREENING, DUE DILIGENCE AND MONITORING</th>
<th>FI</th>
<th>NFP</th>
<th>CDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESMS Officer/Coordinator, Loan</td>
<td></td>
<td>NFP has the means to call on environmental</td>
<td>ESMS Officer/Coordinator, Programme Specialists</td>
</tr>
</tbody>
</table>
### Assignment of E&S Functions within CDF

The CDF will ensure that it is equipped with the requisite internal resources for E&S, technical and legal services as required throughout the investment approval and monitoring processes.

Responsibilities are as follows:

- **Senior Management** (includes the Board, CEO and IRC) should be responsible for the CDF’s overall commitment to E&S objectives. Senior Management establishes the CDF’s E&S requirements and conditions for Borrower/Investees. In cases of unresolved E&S issues or non-compliance associated with a transaction that cannot be resolved by the CDF’s Programme Specialists and the Environmental and Social Officer, Senior Management determines the appropriate course of action to follow to reduce the CDF’s potential exposure to E&S risk.

- **Regional Development Division (RDD)** is required to dialogue with NFPs, EAs and FI on prospective Borrower/Investee projects on E&S issues; evaluate E&S risks of CDF commitments; prepare all investment documents; ensure that NFPs, EAs and FI are fully understand E&S requirements and implement these sufficiently at the project investment level; ensure all fund drawdowns for new projects continue to comply with E&S requirements; and monitor E&S progress.

- The **Environmental and Social Officer within RDD** is required to develop/update procedures and documents; evaluate E&S risks at FI and project levels; assist in the assessment of project E&S risks and development of appropriate mitigation measures; ensure that there is adequate E&S information in the investment agreements; prepare CDF

### Table: Assignment of E&S Functions

<table>
<thead>
<tr>
<th>FI</th>
<th>NFP</th>
<th>CDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers/Relationship Managers Credit/Investment Analyst</td>
<td>and social agencies for support in executing these responsibilities, within resource constraints of such agencies.</td>
<td></td>
</tr>
</tbody>
</table>

### Decision-Making

| DECISION-MAKING | Credit Committee, Manager, Board | NFP PMC | Director, RDD, IRC, CEO, Board |

### E&S Covensants

| E&S COVENANTS | Legal Department | Legal services within government accessible to NFP | Programme Specialists, Legal Department |
E&S reports; and manage CDF relationships with E&S Officers of NFPs, EAs and FIs.

- The **Legal Counsel** is to ensure that all appropriate E&S clauses are incorporated into relevant legal agreements for each CDF commitment; and assist with evaluating national and international E&S law requirements.

### 6.2 Assignment of E&S Functions within FIs

Typically, the following staff of an FI are involved with implementing different aspects of the ESMS, although each financial institution should assign responsibilities in the manner that makes most sense according to its own structure:

- **Senior Management**, for example one or more representatives from upper management (such as a Board member or the FI Manager) should be responsible for the FI’s overall commitment to E&S objectives. Senior Management establishes the FI’s E&S requirements and conditions for Borrower/Investees. In cases of unresolved E&S issues or non-compliance associated with a transaction that cannot be resolved by the FI’s Loan Officers/Relationship Managers, Senior Management determines the appropriate course of action to follow to reduce the FI’s potential exposure to E&S risk, which may include taking legal action against the Borrower/Investee.

- **ESMS Officer** is responsible for leading the FI’s effort to develop the ESMS as well as for communicating with senior management on E&S issues and concerns. This role may be combined with that of ESMS Coordinator in a small organisation. Conversely, depending on the FI’s organisational structure and business scope, the ESMS Officer may be supported by one or more ESMS coordinators to review or coordinate the day-to-day E&S tasks performed by other staff (i.e., credit officers, E&S specialists, and consultants) in various divisions and subsidiaries, according to the staff roles specified in the ESMS.

- **ESMS Coordinator** is responsible for developing and updating the procedures and documents that are part of the FI’s ESMS. This person also evaluates the E&S risks at the portfolio level and provides assistance to Loan Officers/Relationship Managers and Credit/Investment Analysts in evaluating and monitoring the E&S performance of Borrower/Investees. This role may be combined with that of ESMS Officer in a small organisation.

- **Loan Officers/Relationship Managers** are responsible for following the procedures of the ESMS at the transaction level. They discuss and negotiate possible E&S mitigation measures with the Borrower/Investees.
Credit/Investment Analysts are responsible for evaluating the E&S risks at the level of individual transactions and make a recommendation to the Credit Committee on whether to proceed with a transaction.

Credit Committee is responsible for deciding if E&S are acceptable to the FI’s overall exposure to risk before proceeding with a transaction.

Legal Department ensures that the FI’s E&S requirements are incorporated in legal agreements for each transaction. The Legal Department may advise if a Borrower/Investees’s non-compliance with E&S clauses constitutes a breach of contract and is considered an Event of Default under the terms of the legal agreement that requires follow up by Senior Management.

6.3 ESMS officer
The CDF and its FIs are required to nominate an ESMS Officer in their respective organisations, with responsibility for overall administration and oversight for the implementation of the organisation’s ESMS. This person is expected to be someone from the organisation’s senior management, preferably from within the risk management department. The ESMS Officer should have sufficient authority to ensure the ESMS is properly implemented across the organisation. S/he should have a reasonable background in both environment and finance and should maintain an active role during the implementation of the E&S Management System and in reporting to IFC on an annual basis. A suggested job description for the ESMS Officer is provided in Appendix 12.

The E&S Officer reports to a Senior Manager who is responsible for E&S at the Board level.

6.4 E&S Training
Staff responsible for E&S risk management are encouraged to complete the Sustainability Training and E-Learning Programme (STEP)\textsuperscript{13}, designed for managers and staff of financial institutions.

The entire team is trained to understand the ESMS and their individual and collective responsibilities for implementation and compliance. Each member of the team has their own copy of the ESMS and must be fully familiarised with it. ESMS is an integral part of all new staff inductions. Updates and refreshers are given regularly.

Specific E&S training relevant to their needs is provided to:

\textsuperscript{13} https://firstforsustainability.org/resources/training/ This free, online training provides an understanding of sustainable finance and outlines how financial institutions can identify and manage E&S risks and environmental business opportunities.
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- For CDF, members of the RDD, IRC, Legal Counsel and CEO.
- For FIs, members of the Credit Committee, Investment Directors / Managers and Project Directors / Managers.
7.0 Environmental and Social Due Diligence by CDF/NFP and its FIs

7.1 Overview

Conducting ESDD on transactions is a critical component of an ESMS and its outcome should be factored into the decision-making process for proceeding with a transaction.

The purpose of ESDD is to review any potential E&S risks associated with the business activities and proposed project of a potential Borrower/Investee to ensure that the transaction does not carry E&S risks which could present a potential liability/risk to the CDF or its FIs. ESDD involves the systematic identification, quantification and assessment/evaluation of E&S risks associated with a proposed transaction and helps to identify the mitigation measures necessary to reduce any identified E&S risks. The extent and level of detail of the ESDD is based on the transaction’s E&S Risk category and will vary by transaction type.

The ESDD can involve a simple desktop review or require a site visit with the use of technical experts, if necessary, to understand potential E&S risks associated with business activities and review a Borrower/Investee’s compliance with the E&S requirements of the CDF and its FIs. It should include the following activities:

1. Screen Borrower/Investee’s activities against the Exclusion Lists (Appendix 2);
2. Review industry sector and E&S issues typically associated with this type of operation;
3. Review Borrower/Investee’s compliance with national E&S regulations; and
4. Review the Borrower/Investee’s actions (if any) to mitigate potential E&S issues associated with its operations.

The organisation should document all findings from the ESDD, which will be considered during the decision-making process before proceeding with a transaction. In the event that E&S issues are identified that should be mitigated through corrective actions, the FI can stipulate these in the legal agreement with the Borrower/Investee and monitor on-going progress toward completion.

7.2 Desktop Review

CDF/NFP and FI staff can conduct a desktop review, which involves reviewing documentation concerning E&S matters as they relate to a proposed transaction and the technical aspects of a Borrower/Investee’s operations. This includes verifying compliance of the business activities of a proposed client/investee against the relevant E&S regulations as well as international standards, as necessary.

The purpose of conducting an E&S desktop review is to obtain an understanding of the risks that are potentially associated with the business activities of a proposed Borrower/Investee. To help collect this information, the staff should develop a
questionnaire on E&S issues, which a proposed Borrower/Investee completes as part of the transaction process. The checklist in Appendix 7 may form a basis, but additional sector- and project-specific considerations may need to be included.

Depending on the nature of the activities and the industry sector of the Borrower/Investee, applicable E&S laws may regulate issues such as:

- Air emissions and air quality
- Energy use and conservation
- Wastewater and water quality
- Water use and conservation
- Hazardous materials use
- Wastes
- Land contamination
- Biodiversity and natural resources
- Labour and working conditions
- Occupational health and safety
- Community health, safety, and security
- Land acquisition and resettlement
- Indigenous peoples
- Cultural heritage

Compliance with some regulations can be verified by checking for the presence or absence of valid permits and licenses. In other cases, compliance must be verified by reviewing the most recent inspection report by a government authority or the ESIA required under national regulation to understand what E&S issues, if any, need to be addressed by the Borrower/Investee to ensure compliance.

Other documentation that can provide useful insight into a Borrower/Investee’s E&S performance and reputation include:

- Monitoring reports on air emissions and water discharges.
- Waste management plans.
- Environmental management policies and plans.
- Stakeholder engagement activities.
- Health and safety policies.
- National, local or trade press relevant to industry sector or geographic area with potential references to the Borrower/Investee.

### 7.3 Site Visit
CDF/NFP and FI staff can conduct a site visit to gain an impression of the E&S issues associated with the daily operations of a Borrower/Investee’s business. This provides insight into potential E&S risks. Site visits may be undertaken as part of the ESDD for a proposed transaction as well as during the monitoring of an approved transaction.

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The focus of the site visit is to identify potential E&S issues that may represent a risk to the Borrower/Investee’s business activities if left unmitigated and to review a Borrower/Investee’s compliance with the E&S requirements of CDF or the FIs, as the case may be. If a transaction involves an industry sector with complex E&S issues, organisation staff should solicit the opinion of a social or environmental expert.

Prior to a site visit, organisation staff should be familiar with the E&S information provided by the Borrower/Investee or identified during a previous site visit as well as have a general understanding of the E&S issues that are typically associated with a particular industry sector. Organisation staff can then ask more targeted questions, request any necessary documents and focus their observations on particular areas of a facility during their site visit. This helps reduce the amount of time needed to conduct the site visit.

Organisation staff should meet with site managers including health and safety officers and human resources officers as well as technical staff who are well-informed of the E&S implications of processes associated with the Borrower/Investee’s operations. Although the specific focus of a site visit will vary as a function of the Borrower/Investee’s business operations, organisation staff should gain general information about:

- General characteristics of the site including age and use of facilities and buildings
- Operations and processes performed on the site
- Size of the workforce
- Labour practices
- Surrounding land use

The site visit should be conducted during hours of operation and should focus on key areas such as:

- Processing/manufacturing lines
- Installations for wastewater treatment
- Sources of air emissions and filters
- Storage areas for hazardous materials
- Storage areas for waste and disposal processes
- Worker facilities
- Neighboring properties

Signs of possible E&S concerns include:

- Leaking containers or pipes
- Poorly maintained storage tanks/facilities
- Unmarked tanks or areas with hazardous or flammable materials
- Discoloration of ground and potential site contamination
- Discoloration of nearby streams or drainage channels
- Excessive gas or dust emissions
• Excessive noise
• Strong odors
• Limited use of personal protective equipment by employees
• Complaints by local residents
• Proximity of surrounding communities

During the site visit, organisation staff should also observe if there are any environmental business opportunities in the Borrower/Investee’s operations and follow up with appropriate investment officers within the organisation. Staff should record the E&S findings, observations and photographs, if necessary, to insert in the Borrower/Investee file.

In the event of E&S findings that require follow up by the client/investee, organisation staff can develop a formal Corrective Action Plan with a timeframe for the Borrower/Investee to implement appropriate mitigation measures. In many cases, E&S findings can be addressed and resolved by the Borrower/Investee in a short time and do not require a Formal Corrective Action Plan but should nonetheless be documented in the Borrower/Investee file.

7.4 Corrective Action Plan (ESMP)
Organisation staff may develop a corrective action plan with a timeframe for the Borrower/Investee to implement appropriate mitigation measures to comply with the organisation’s E&S requirements. The scope of a corrective action plan is tailored to each Borrower/Investee according to the specific risks identified during the ESDD or during subsequent monitoring.

Corrective action plans range from simple mitigation measures to detailed management plans with actions that can be measured quantitatively or qualitatively. The corrective action plan should include a description of the specific mitigation actions to be taken by the Borrower/Investee, a timeframe for implementation and a reporting requirement to inform the organisation on the status of completion.

Organisation staff will need to discuss the corrective action plan with the Borrower/Investee to agree on its scope and timeframe for completion. If the corrective action plan is developed as part of the appraisal process, it should be included in the legal agreement. Timeframe for implementation of specific mitigation measures will vary with E&S risk and may range from being a condition of approval to a reasonable time from disbursement, or when the issues were identified during monitoring.
8.0 Record Keeping, Monitoring and Supervision Requirements

8.1 Monitoring Requirements

PS 1 requires that monitoring procedures be established to review progress with ESMPs/Corrective Action Plans and compliance of operations with any legal and/or contractual obligations and regulatory requirements.

- For the CDF, this includes periodic reviews of the effectiveness of the FI’s ESMS in managing the E&S risks, and review of the NFP’s reports, to ensure they comply with the agreed results framework;
- For the FI, this requires monitoring each Borrower/Investee’s E&S performance against the FI’s E&S policy, the ESDD findings, and E&S contractual obligations including the Corrective Action Plan (if one was required).

Monitoring is an integral part of the ESMS implementation. An appropriate level of oversight must be sustained for as long as the CDF or FI is a project shareholder and to periodically verify that the Borrower/Investee Project continues to meet E&S expectations embodied in the various project documents and agreements. Best practice mandates thorough, ongoing engagement with Borrower/Investee Projects and formal monitoring and documentation by FIs. For FIs and the NFP/CDF, this typically involves the use of qualified internal resources to review E&S reports received from Borrower/Investees (if these are required), review of relevant activities of respective national authorities (e.g. factory inspections (where available)) and conducting periodic site visits as appropriate.

The extent and frequency of monitoring by the CDF/NFP/FI should be commensurate with the E&S risk and potential impacts identified through ESDD. E&S issues should be given explicit consideration during routine supervision activities and notes retained on file. Typical requirements are outlined in Table 7 below.

Table 7. Project monitoring checklist

<table>
<thead>
<tr>
<th>Investment monitoring principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct monitoring through regular site visits and formal documentation.</td>
</tr>
<tr>
<td>Check Borrower/Investee Project’s ongoing compliance with all relevant laws, standards and regulations relating to E&amp;S matters, the standards stipulated in E&amp;S Policy, loan agreement conditions, and the Corrective Action Plan if one was required.</td>
</tr>
<tr>
<td>Encourage Borrower/Investee Project managers to work towards continuous improvements.</td>
</tr>
<tr>
<td>Ensure that any new risks, issues or opportunities for improvement that emerge are appropriately dealt with.</td>
</tr>
<tr>
<td>Monitor the implementation of the GRM and the management of stakeholder/employee concerns and/or grievances.</td>
</tr>
<tr>
<td>Monitor and record serious incidents involving the Borrower/Investee Project that result in loss of life, serious injury, material effect on the environment, or material breach of law, and promote appropriate corrective actions.</td>
</tr>
<tr>
<td>Record and report key performance indicators to the Credit Committee.</td>
</tr>
</tbody>
</table>
• Review the Borrower/Investee Project strategy if there is any significant change, e.g. in regulation, markets and technology, over the investment duration.

Monitoring could result in the Corrective Action Plan mitigation measures having to be supplemented by additional activities. Such active monitoring of investments is critical if risks are to be reduced and opportunities realized, with value added through continuous improvements. The CDF/NFP/FI will work with the Borrower/Investees to provide guidance on the implementation of proposed corrective actions.

The FI/NFP/CDF will periodically review the implementation effectiveness of its ESMS and adjust or update procedures to enhance practices and efficiency, address potential changes in the E&S risk profile of the portfolio, and respond to changes in the E&S regulatory environment. Where such changes occur in the project portfolio, these are to be reported to the CDF.

8.2 Record Keeping
CDf/NFP/FIs are required to maintain files on individual borrowers and data on their portfolio performance, disaggregated by gender and vulnerable groups.

8.2.1 Record keeping requirements of the NFP
Record keeping requirements of the NFP will include maintenance of project files and records of compliance of projects with national and contractual requirements including:

- Documentation of NFP site visits, PMC meetings and CDF site visits
- Reports of EAs and FIs
- Status of operating licenses and permits required
- Inspection Reports, to address issues such as:
  - Working conditions of employees
  - Hazardous materials management
  - Waste Management
- Progress against Corrective Action Plans by EA and against Side Letters by FI
- Complaints lodged and how they have been addressed

These records should be available as appropriate, to officers of independent auditors and the CDF.

8.2.2 Record keeping requirements of the EAs and Borrowers/Investees
Requirements of EAs and Borrower/Investees will include maintenance of company/project records. Records to demonstrate their compliance with national requirements will be in areas of:

- Status of operating licenses and permits required
- Working conditions of their employees
- Hazardous materials management
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- Waste Management
- Complaints lodged (by them or others)
- Impact of adverse events
- The Corrective Action Plan (if one was required) and their progress against it

These records should be available as appropriate, to officers of independent auditors, CDF, NFP, and the FI (for their investments).

8.3 Reporting Requirements

Senior management and the Boards in the respective organisations will be informed regularly of the E&S risks of individual Borrower/Investees as well as aggregated E&S risks at the portfolio level, and on any new issues arising or opportunities to achieve positive impacts. This improves the understanding of overall exposure to E&S risk, and guides decisions on internal resource allocation required to manage E&S impacts.

8.3.1 Borrower/Investee Reporting Requirements

Borrowers/Investees with projects classified as Category A or B are required to submit annual E&S reports, and any other reports deemed necessary and as required in the Loan/Grant Agreement. A template for annual E&S monitoring reports at the project level is provided in Appendix 13.

In the event of a serious incident, Borrowers/Investees are required to provide an immediate email to the FI’s Investment Committee or to the NFP (in the case of EAs) as an initial notification while the full serious incident report is being prepared. This requirement is to be stipulated in the investment agreement with the Borrower/Investee Company.

8.3.2 FI and NFP Reporting Requirements

Reports against the GRM are required as outlined in Appendix 14. All FIs and NFPs are required to submit GRM reports to CDF.

All FIs and NFPs are required to report to CDF on cases of non-compliance and significant E&S accidents or incidents related to a Borrower/Investee transaction. A Serious Incident Report Template for the report to be produced by the FI/NFP is included in Appendix 15. Any serious incidents must be immediately reported to the FI's Investment Committee or the NFP's PMC.

CDF will collect the metrics identified in Table 8 below. Some of this information will be provided in reports from NFPs and FIs, including those categorized as FI-3. These indicators will yield both quantitative and qualitative information on the impacts and E&S benefits of the project, and the effectiveness of mitigation measures built into project design.

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15 Serious incidents are incidents that result in injury, material effect on the environment or breach of law.
16 Serious incidents are incidents that result in injury, material effect on the environment or breach of law.
FIs and NFPs are required to produce an annual E&S performance / impact report. This will be led by the FI E&S Officer with contributions from the active beneficiary Borrower/Investees, in the case of FIs. It is anticipated that the NFP will secure support from relevant governmental environmental agencies in the development of its annual E&S performance / impact report. The scope of such reports varies depending on the risk of the portfolio.

FI E&S performance reports to the NFP/CDF should typically include:

- Portfolio breakdown by industry sectors and product lines, Higher Risk Transactions and sample ESDD reports;
- Information on the implementation of any changes to the FI’s ESMS;
- Where relevant, the FI’s exposures to high risk activities.
- Recommendations to improve E&S project performance going forward.

NFP E&S performance reports to CDF should typically include:

- FI E&S performance reports
- EA annual E&S reports and sample ESDD reports;
- Where relevant, the NFP’s exposures to high risk activities;
- Recommendations to improve E&S project performance going forward.

The Framework that will serve as a substantive model for the development of FI and NFP Annual E&S Reports is contained in Appendix 16. FIs categorized as FI-1 or FI-2 are required to complete all parts of the report. FIs categorised as FI-3 are only required to complete Parts B and C of the report.

It is noted that an FI may have additional reporting requirements to other stakeholders (internal and external) regarding E&S risks and impacts associated with its activities.

8.3.3 CDF Reporting Requirements
CDF is committed to a high standard of monitoring and supervision and will enforce this at the NFP and FI level through the Loan/Grant Agreements and Side Letters). During Borrower/Investee Project implementation, NFPs and FIs have overall supervision responsibility for ensuring that Borrower/Investee Projects comply with the E&S standards. The CDF will work closely with all of the NFPs and FIs through a monitoring regime that includes formal reporting on an annual basis, to supply information to be incorporated into CDF reports, and regular visits to the NFP and FIs’ offices and Borrower/Investee projects. The CDF reviews all of its NFP (including FI) annual E&S reports (portfolio and Borrower/Investee Project levels), and intermittently checks that the ESMS is properly implemented at all levels.

CDF is required to produce an annual E&S report on its projects. CDF will use information from the NFPs to inform its annual Impact Report.
CDF level E&S reporting

CDF actions related to ESMS

- Document and report on CDF project activities and outcomes
- Assist the NFP and the FIs to ensure ongoing compliance with national legislation and Guidelines (aligned with CDF/GCF/IFC requirements)
- Meet NFP and FI Managers to discuss E&S matters
- Review annual E&S performance and other relevant reports provided by NFPs and FIs
- Ensure the NFP and FI’s ongoing compliance with best practices (aligned with GCF/IFC requirements)
- Gather data on E&S matters and key project indicators

Documents to be submitted by NFP and FI

- Annual NFP and FI Impact and E&S Performance Report
- Annual impact data collection tool
- Written notification of any serious E&S incidents within 3 business days

Outputs prepared by CDF technical teams

- Annual Impact Report

Role of the Document(s) as it relates to ESMS

- Reviews performance of each NFP and FI, and overall portfolio with respect to key project indicators and the Impact Metrics designed for each.
- Captures non-quantitative impacts through case studies and thematic review.
- Presents consistent data to facilitate multi-year analysis.
- Ongoing commitment to best practice and continuous improvement at CDF, NFP and FI-level.

CDF will be responsible for maintaining project information and relevant data (disaggregated by gender and identified vulnerable groups that may include youth, differently abled, indigenous people), on:

1. Stakeholder participation in project consultations and design
2. Project beneficiary numbers and quantum/proportion of funding by vulnerable group
3. Serious incidents and their resolutions
4. Grievances and their resolutions
5. Other complaints and performance issues

CDF will be required to report to the GCF. This is assumed to be required on an annual basis. Reports will include information on:

1. Project design and financial instruments, and how they address E&S (including gender, differently abled, youth and indigenous people) issues
2. Project consultations to inform design
3. NFP performance
4. FI performance
5. Project performance

6. GRM

Metrics such as those outlined in Table 8 will be developed and reported against in CDF annual reports. The table also identifies the sources of information. These will be integrated into overall project reports of the responsible party identified.

Table 8. Possible E&S Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Frequency</th>
<th>Unit</th>
<th>Information Provider</th>
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</thead>
<tbody>
<tr>
<td><strong>E&amp;S Impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Installed</td>
<td>Annual</td>
<td>MW</td>
<td>FIs / NFPs</td>
</tr>
<tr>
<td>Energy Generated</td>
<td>Annual</td>
<td>MWh</td>
<td>FIs / NFPs</td>
</tr>
<tr>
<td>Energy Savings</td>
<td>Annual</td>
<td>MWh USD</td>
<td>FIs / NFPs</td>
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<tr>
<td><strong>Environment</strong></td>
<td></td>
<td>Tonnes</td>
<td></td>
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<tr>
<td>CO2 reduced</td>
<td>Annual</td>
<td>Tonnes</td>
<td>FIs / NFPs</td>
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<tr>
<td>Pollution reduced</td>
<td>Annual</td>
<td>Tonnes</td>
<td>FIs / NFPs</td>
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<tr>
<td><strong>Sustainable Development</strong></td>
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<tr>
<td>Number of Male headed</td>
<td>Annual</td>
<td></td>
<td>FIs</td>
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<tr>
<td>Borrower/Investees % of total</td>
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<tr>
<td>Number of Female</td>
<td>Annual</td>
<td></td>
<td>FIs</td>
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<tr>
<td>headed Borrower/Investees</td>
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<tr>
<td>% of total</td>
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<tr>
<td>Number of IP headed</td>
<td>Annual</td>
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<td>FIs</td>
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<tr>
<td>Borrower /Investees % of total</td>
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<tr>
<td>Number of Male</td>
<td>Annual</td>
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<td>FIs</td>
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<tr>
<td>Borrower/Investees Male</td>
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<tr>
<td>Employees % of total</td>
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<tr>
<td>Number of Female</td>
<td>Annual</td>
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<td>FIs</td>
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<tr>
<td>Borrower/Investees Female</td>
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<tr>
<td>Employees % of total</td>
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<tr>
<td>Number of IP employees</td>
<td>Annual</td>
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<td>FIs</td>
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<tr>
<td>% of total</td>
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<tr>
<td><strong>E&amp;S Compliance</strong></td>
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<tr>
<td>Number of FIs with</td>
<td>Annual</td>
<td></td>
<td>FIs/NFPs</td>
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<tr>
<td>ESMS implemented % of FIs</td>
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<tr>
<td>Number of FIs with</td>
<td>Annual</td>
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<td>FIs/NFPs</td>
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<tr>
<td>dedicated ES Personnel % of</td>
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<tr>
<td>FIs with dedicated ES Personnel</td>
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8.4 GCF Monitoring Requirements

The GCF will require and ensure that the CDF undertakes due diligence processes appropriate to the risk level of the activities supported. GCF experts may carry out periodic site visits to monitor ESMS implementation and adequacy, as appropriate. GCF will periodically review the process and the results of the E&S due diligence and monitoring conducted by the CDF for its lending/investments. GCF supervision includes visits at the CDF, NFP and FI level and may include visits to selected Borrower/Investee projects to assess and support implementation of the CDF ESMS. The frequency and focus of such supervision visits are commensurate with the identified risks and the E&S performance of the CDF.
9.0 External communications mechanism (ECM)
The E&S policies of CDF and its FIs should be externally communicated through public disclosure, presented in corporate statements and reports, and published on entity websites.

PS 1 requires clients to implement and maintain a procedure for external communications that includes methods to receive, register, screen and assess, track, respond to, and act upon external inquiries and complaints from the public regarding their operations. In addition, where a project involves physical elements that are likely to generate adverse E&S impacts on affected Communities, a grievance mechanism is required. Such a process is simple for those FIs with limited exposure to higher risk transactions.

The External Communications Mechanism (ECM) should provide publicly available and easily accessible channels (e.g. phone number, website, e-mail address) to receive communications and requests from the public for information regarding E&S issues. The receiving party (CDF, NFP and/or FI) will assess the relevance of the external communication received and determine the level of response required, if any.

An annual report on how it has performed against its GCF Impact Targets will be published on the CDF/ website. Details will be redacted as appropriate to protect confidentiality at FI and Borrower/Investee Project levels, while fulfilling the commitment to appropriate communication to stakeholders and other external parties.

9.1 Grievance and Redress Mechanism
FIs and NFPs are required to develop for each Borrower/Investee investment, a Borrower/Investee -project specific Stakeholder Engagement Plan, to include information on:

- Stakeholder analysis and engagement process, to include information on consultations carried out (including dates, stage of project, stakeholders consulted (disaggregated by gender), type of consultation)
- Summary of issues raised through engagement and consultation activities
- How project information was disseminated, and how stakeholder views (particularly of project-affected individuals and communities) have influenced the project design and the formulation and implementation of the Corrective Action Plan (ESMP)
- Level of project support or opposition among affected communities
- On-going community engagement and communication strategies
- Grievance mechanism

A grievance mechanism is designed to receive, evaluate and address grievances from affected communities, and should be introduced during the project design phase and maintained through the life of the project as appropriate. At the project level it is a critical means for early identification and remedy of adverse E&S impacts and other concerns resulting from project execution. The CDF GRM is designed in accordance
with the guidance set out in the IFC’s Good Practice Note-Addressing Grievances from Project-Affected Communities (IFC, 2009). The NFPs and FIs are required to ensure that an appropriate grievance mechanism is introduced at Borrower/Investee project level. The grievance mechanism must be:

- legitimate and trusted;
- scaled to the risks and potential adverse impacts of the project;
- publicised and accessible, appropriately tailored to all potentially-affected persons and communities and other interested parties, irrespectively of their literacy and administrative capacity;
- free of cost for the stakeholders;
- includes the anonymity option, where feasible, and guarantee confidential handling of requests, if so requested by the complainant;
- fair, transparent and inclusive;
- guided by engagement and dialogue;
- predictable in terms of process;
- timely;
- not impeding access to judicial remedy; and,
- a source of continuous learning for the Borrower/Investee, the FI, the NFP and the CDF.

The community grievances most commonly anticipated in the type of projects CDF will support that will require close involvement with the local community during the project lifecycle, relate to the impact of construction nuisances on day to day community activities, and pollution impacts the project may have on public health and the environment. The CDF GRM is contained in Appendix 14.

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17 https://www.ifc.org/wps/wcm/connect/f9019c05-0651-4ff5-9496-c46b66dbeedb/IFC%2BGrievance%2BMechanisms.pdf?MOD=AJPERES&CACHEID=ROOTWO RKSPACE-f9019c05-0651-4ff5-9496-c46b66dbeedb-jkD0-._g
10.0 Emergency preparedness and response at CDF and FIs

Where a client’s operations involve activities and facilities that are likely to generate impacts, PS 1 requires clients to establish and maintain an emergency preparedness and response system to respond to accidental and emergency situations. For CDF and its FIs, this means ensuring that the necessary emergency preparedness and response plans are in place within their premises to protect the health and safety of its employees and visitors. Effective emergency preparedness and response plans should identify responsibilities and procedures for communicating different types of emergencies (e.g., fire, earthquake or robbery) to the appropriate authorities and for safe evacuation. Plans should also include specific training and practice requirements (i.e., simulations and drills).

Buildings occupied by CDF and its FIs that are accessible to the public should be designed, constructed, and operated in compliance with local building codes, local fire department regulations, and local legal requirements.
11.0 Conclusion

The CDF has adopted established best practice for E&S by integrating Standards set by IFC and GCF, to be applied at various levels:

- CDF
- NFP
- FIs
- Borrower/Investee Project

Many of the FIs will already have ESMS in place to manage E&S issues across their portfolio, and they will be required to ensure that these meet the standards set here and make adjustments as required.
12.0 References


CARICOM, 2008. Agreement Relating to Operation of the CARICOM Development Fund CDF


CDF, 2015. CARICOM Development Fund Strategic Plan 2015-2020


IFC Performance Standards of the International Finance Corporation18, downloaded October 2019

IFC, 2012. Interpretation Note on Small and Medium Enterprises and E&S Risk Management

IFC, 2012; updated 2018. Interpretation Note on Financial Intermediaries

IFC, 2009. IFC’s Good Practice Note-Addressing Grievances from Project-Affected Communities


Global Gender Office of the IUCN, 2013. The Art of Implementation. Gender Strategies Transforming National and Regional Climate Change Decision Making

GEEREF NEXT, 2016. GEEREF NEXT Environmental and Social Management System

GCF, 2014. Investment Framework. GCF/B.07/06

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Appendices

Appendix 1. Management Approach to EHS Considerations at a Project Level


An ESMS must be developed before project implementation in an effort to preempt, reduce or compensate for potential negative environmental and social impacts. The safeguards are designed to reduce potential conflict, optimise project benefits, and avoid social and environmental harm. In order to effectively manage environmental, health, and safety (EHS) issues, EHS considerations must be integrated into corporate and facility-level business processes in an organized, hierarchical approach. The Environmental, Health and Safety Guidelines outline the following steps:

- Identify EHS project hazards and associated risks early, and incorporate EHS considerations into site selection, product design, engineering planning and design, and process change plans.
- Involve competent EHS professionals to assess and manage EHS impacts and risks, and carry out specialized environmental management functions including preparation of project or activity-specific plans and procedures that incorporate the technical recommendations presented in the EHS guidelines of relevance to the project.
- Understand the likelihood and magnitude of EHS risks, based on:
  - The nature of the project activities e.g. whether it will generate significant emissions or effluents, or involve hazardous materials or processes;
  - Potential consequences to workers, communities, or the environment if hazards are not adequately managed. This may depend on the proximity of project activities to people or to the environmental resources on which they depend.
- Prioritise risk management strategies to reduce risks to human health and the environment, with a focus on prevention of irreversible and/or significant impacts.
- Favour strategies that eliminate the cause of the hazard at its source, e.g. by selecting less hazardous materials or processes that avoid the need for EHS controls.
- When impact avoidance is not feasible, incorporate engineering and management controls to reduce or minimize the possibility and magnitude of undesirable consequences e.g. application of pollution controls to reduce the levels of emitted contaminants to workers or environments.
- Prepare workers and nearby communities to respond to accidents, including providing technical and financial resources to effectively and safely control such events, and restoring workplace and community environments to a safe and healthy condition.
• Improve EHS performance through a combination of ongoing monitoring of facility performance and effective accountability.
Appendix 2. Project Exclusion List
(a compilation of IFC/GCF and CDF Exclusion Lists and project-specific exclusions)

### IFC Exclusion List (IFC, 2007)

IFC does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.1
- Production or trade in alcoholic beverages (excluding beer and wine).1
- Production or trade in tobacco.1
- Gambling, casinos and equivalent enterprises.1
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All financial intermediaries (FIs), except those engaged in activities specified below*, must apply the following exclusions, in addition to IFC’s Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.3
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

* When investing in microfinance activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.3
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

### Footnotes

1 This does not apply to project sponsors who are not substantially involved in these activities. "Not
substantially involved” means that the activity concerned is ancillary to a project sponsor’s primary operations.

2 Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

3 Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child’s education, or to be harmful to the child’s health, or physical, mental, spiritual, moral, or social development.

Note that this list does not preclude support for projects proposed for implementation within Protected Areas (PA) subject to approval of PA Managers, potentially affected IP communities, and relevant national authorities.

The CDF Operations Manual exclusions are:

Insert when doc is made available
Appendix 3. Recommended Gender and Indigenous People Considerations for Project Design
(extracted and adapted from CDF CRAF project ESIA)

The following are recommended, to integrate gender considerations into CDF projects (Global Gender Office of the IUCN, 2013).

*Design phase*

**CDF**

1. Ensure the inclusion of existing national gender and indigenous people policy during project design. Gender and indigenous people usually feature prominently in policy frameworks that seek to impact positively on development and poverty reduction.
2. Ensure eligibility criteria does not exclude or diminish opportunities for access by women and vulnerable groups.
3. Draw on available gender and indigenous people expertise in the country and in project institutions (CDF/ CARICOM) to review project design.
4. Review project policies and guidelines to ensure they acknowledge gender inclusiveness as a guiding principle.
5. Acknowledge and operationalize gender as a driver for transformational change. Integrate principles of equality and equity and the appropriate procedures for achieving these throughout project documentation.
6. Adapt language used to characterize women as agents of change rather than victims that require assistance. Design the project to harness the potential of women as entrepreneurs, knowledge holders, and innovators. Empower women in the project planning, decision-making, and implementation to make project outcomes more effective, efficient, and innovative.
7. Ensure that financial mechanism(s) sufficiently support requirements from a gender and indigenous people perspective. Develop and/or strengthen these as necessary.
8. Assign specific resources for the promotion of gender equality and women’s empowerment. Funds to address gender and indigenous people issues should be internalized in project design, with specific resources earmarked for gender, as appropriate.
9. In the development of financial products women and indigenous people should be viewed both as a specific target group and as potential clients. Awareness of such products should also be raised amongst women, women’s organisations and indigenous people’s organisations in order to ensure their successful uptake. Features that may be designed into financing mechanisms include to:
   - Establish commitments and targets for the financial inclusion and economic empowerment of women and indigenous people.
   - Develop a gender-focused strategy for financing programmes.
• Gather and analyze relevant gender and indigenous people data (e.g. gender disaggregated data on Borrower/Investee ownership). Identify data gaps and design/implement targeted studies and assessments to fill gaps.
• Involve women and indigenous people in programme design processes through gender sensitive participatory planning processes.
• Use gender and indigenous people information in the design of the programme goals and implementation modalities.
• Incorporate gender and indigenous people perspectives into technology selection processes.
• Include gender and indigenous people awareness and capacity in criteria for selection of project staff.
• Develop gender and indigenous people components and materials for training modules for on-lending institutions and their staff (e.g. loan officers, managers).
• Establish gender and indigenous people disaggregated targets based on initial analysis (e.g. number of women-owned-enterprises receiving loans for energy efficiency investments).
• Incorporate gender and indigenous people into key performance indicators for on-lending institutions and flow-down to staff.

10. Strengthen gender and indigenous people participation in technical reviews and consultations:
   - Include gender and indigenous people expertise on the design team
   - Acknowledge and consult women and indigenous people as relevant stakeholders
   - Map gender and indigenous people inequalities related to prospective project initiatives
   - Ensure attention to gender and indigenous people criteria in technical reviews, and monitor implementation

11. Ensure the meaningful participation of women’s and indigenous people’s organisations and gender experts throughout the project, particularly during the planning phase. Consult with women’s organisations, and indigenous people’s organisations, gender experts from relevant sectors (e.g. energy, transport, water, disaster risk reduction, agriculture) and gender advocates. Ensure that engagement processes are culturally appropriate and cognizant of unique constraints faced by women and vulnerable groups. Document these engagements and the recommendations and suggestions that emanate from them. Integrate women’s and indigenous people’s needs and views into project design and implementation.

12. Consider the gender and indigenous people dimensions of property rights and tenure security. In many parts of the world, rural women and indigenous people may be disadvantaged by property rights and land ownership arrangements that are often limited by customary law and traditional norms of access. Poor women or indigenous people in particular face disadvantages with regards to formalized legal land access and ownership.
13. Most gender indicators in project results frameworks refer to sex-disaggregated data. While these are important, they do not necessarily measure improvement or progress toward gender equality or women’s empowerment. Indicators need to capture both outputs (e.g. “x number of women trained”) and results (i.e. changes in the situation of gender equality attributable to project interventions). Gender indicators are meant to assess aspects of gender (in)equality that can be measured, quantified or systematized. Some of the characteristics of gender-sensitive indicators are:

- Measure conditions or situations that affect men and women differently;
- Signal changes in power relations between women and men over time;
- Determine access, use and control of resources and distribution of costs and benefits;
- Point out changes in living conditions and in the roles of women and men over time; and
- Provide important inputs for planning, implementation, and evaluation of projects and programmes.

14. Include clear plans for continuing stakeholder involvement in project monitoring and evaluation.

15. Use existing relevant indicators, refined as needed and/or develop indicators if necessary, for integrating gender into design and outputs of projects.

*Implementation phase*

**National level**

16. Draw on available gender and indigenous people expertise in the country and in project institutions (CDF/ CARICOM) to review project reports.

17. Ensure the continued meaningful participation of women’s and indigenous people’s organisations and gender experts throughout the project. Document these engagements and the recommendations and suggestions that emanate from them.

18. Adhere to plans for continuing stakeholder involvement in project monitoring and evaluation.

**CDF**

19. Establish a focal point to review how gender and indigenous people have been integrated into processes, guidelines and procedures, and to contribute to quality assurance for gender mainstreaming. This may not be a full-time position, but these requirements should be included in the individual’s job description. The position should be given clear authority to report directly to the Project Manager.
Appendix 4. ESMS for CDF and FIs: A Primer

<table>
<thead>
<tr>
<th>What is an Environmental and Social Management System (ESMS)</th>
<th>It is the management system (both formal and informal) consisting of procedures, management commitment, delineation of roles and responsibilities and guidance that a bank/PE fund follows to review and manage the E&amp;S issues and risks associated with its investments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;S Policy</td>
<td>A policy, serving as a brief declaration of an organisation’s commitment to sustainable development and management of E&amp;S issues. This is often publicly disclosed but certainly always communicated internally.</td>
</tr>
<tr>
<td>E&amp;S Procedure</td>
<td>The Procedure detailing how the organisation addresses E&amp;S and sustainability issues as part of its investment operations. Procedures are normally step by step instructions focusing on what needs to be done and by whom at various stages of the investment cycle (including supervision). Reference is often made to guidelines. A procedure may be stand-alone or constitute part of the Credit or other Operational procedures of the bank/PE fund. Procedures should be documented and communicated to ensure that all existing and new staff are aware of the process.</td>
</tr>
</tbody>
</table>
| E&S review guidelines | These serve as guidance to responsible officers in the bank/PE fund on how to carry out the various steps outlined in the E&S Procedure. The guidelines can be simple for low risk installations and more sophisticated for high risk installations. These should help provide a guide on what to look for when conducting an E&S review and can include:  
  • A checklist of documents (such as regulatory clearances) to be reviewed  
  • Questions to ask the client during a site visit  
  • Aspects to look at during the site visit such as housekeeping, visible contamination etc. |
| Record keeping | This is a vital aspect of an ESMS where the review and analysis conducted and the mitigation or corrective measures required as applicable as per the Procedure are recorded in the credit decision documents. |
| Categorization | To ensure that the extent of the review is commensurate with the nature of risk, categorization is a useful step in procedures where based on basic information about a project such as sector and scale, the level of E&S risk the project could pose is determined. This also enables the bank/PE fund to determine the extent and sophistication of the E&S review. Examples of categorization are High, Medium, and Low risk or Category A, B, C and FI. |
| Guidance on industrial sectors | These are sector specific guidelines that outline the key E&S issues associated with a sector and provide technical guidance to credit officers and engineers involved in the appraisal of industrial and other facilities. |

19 Downloaded from: https://firstforsustainability.org/media/ESMS%20for%20FIs%20primer.pdf
Appendix 5: Outline of Resettlement Action Plan for Investments
(Adapted from Annex XII, GEEREF NeXt, 2016)

A resettlement plan is required for all investments with involuntary resettlement impacts. The level of detail and comprehensiveness required of the resettlement plan is commensurate with the significance of potential impacts and risks. The following outline is provided to guide preparation of resettlement plans.

I. Executive Summary

- A concise statement of investment scope, key findings and recommended actions.

II. Investment Description

- A general description of the investment.
- Components that potentially result in land acquisition, involuntary resettlement, or both.
- Alternatives considered to avoid or minimize resettlement.
- A table with quantified data.
- Rationale for the final decision.

III. Scope of Land Acquisition and Resettlement

- The investment’s potential impacts, including maps of the areas or zone of impact of investment components or activities.
- Scope of land acquisition (provide maps) and explanation of why it is necessary for the main investment.
- Summary of the key effects in terms of assets acquired and displaced persons.
- Details of any common property resources that will be acquired.

IV. Socioeconomic Information and Profile

Results of the social impact assessment, the census survey, and other studies, with information and/or data disaggregated by gender, vulnerability, and other social groupings, including:

- Definition, identification, and enumeration of the people and communities to be affected.
- Likely impacts of land and asset acquisition on the people and communities affected, taking social, cultural, and economic parameters into account.
- Impacts on the poor, indigenous and/or ethnic minorities, and other vulnerable groups.
- Gender and resettlement impacts, and the socioeconomic situation, impacts, needs, and priorities of women.

V. Information Disclosure, Consultation, and Participation

- Investment stakeholders, especially primary stakeholders.
• Consultation and participation mechanisms to be used during the different stages of the investment cycle.
• Activities undertaken to disseminate investment and resettlement information during investment design and preparation for engaging stakeholders.
• Summary of results of consultations with affected persons (including host communities), and how concerns raised and recommendations made were addressed in the resettlement plan.
• Confirm disclosure of the draft resettlement plan to affected persons and arrangements to disclose any subsequent plans.
• Planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for consultation with affected persons during investment implementation.

VI. Grievance Redress Mechanisms
• Mechanisms to receive and facilitate the resolution of affected persons’ concerns and grievances. Explain how the procedures are accessible to affected persons and gender sensitive.

VII. Legal Framework
• National and local laws and regulations that apply to the investment, and gaps between local laws and these policy requirements; and how any gaps will be addressed.
• Legal and policy commitments from the executing agency for all types of displaced persons.
• Principles and methodologies used for determining valuations and compensation rates at replacement cost for assets, incomes, and livelihoods.
• Compensation and assistance eligibility criteria and how and when compensation and assistance will be provided.
• The land acquisition process and schedule for meeting key procedural requirements.

VIII. Entitlements, Assistance and Benefits
• Displaced persons’ entitlements and eligibility, and all resettlement assistance measures (includes an entitlement matrix).
• All assistance to vulnerable groups, including women, and other special groups.
• Opportunities for affected persons to derive appropriate development benefits from the investment.

IX. Relocation of Housing and Settlements
• Options for relocating housing and other structures, including replacement housing, replacement cash compensation, and/or self-selection (ensure that gender concerns and support to vulnerable groups are identified).
• Alternative relocation sites considered; community consultations conducted; and justification for selected sites, including details about location, environmental assessment of sites, and development needs.
• Timetables for site preparation and transfer.
• Legal arrangements to regularize tenure and transfer titles to resettled persons.
• Measures to assist displaced persons with their transfer and establishment at new sites.
• Plans to provide civic infrastructure.
• How integration with host populations will be carried out.

X. Income Restoration and Rehabilitation

• Livelihood risks and disaggregated tables based on demographic data and livelihood sources.
• Income restoration programs, including multiple options for restoring all types of livelihoods (examples include benefit sharing, revenue sharing arrangements, joint stock for equity contributions such as land, discuss sustainability and safety nets).
• Measures to provide social safety net through social insurance and/or special funds within the investment.
• Special measures to support vulnerable groups.
• Gender considerations.
• Training programs.

XI. Resettlement Budget and Financing Plan

• Itemized budget for all resettlement activities, including for the resettlement unit, staff training, monitoring and evaluation, and preparation of resettlement plans during loan implementation.
• The flow of funds (the annual resettlement budget should show the budget-scheduled expenditure for key items).
• Justification for all assumptions made in calculating compensation rates and other cost estimates (taking into account both physical and cost contingencies), plus replacement costs.
• The source of funding for the resettlement plan budget.

XII. Institutional Arrangements

• Institutional arrangement responsibilities and mechanisms for carrying out the measures of the resettlement plan.
• Institutional capacity building program, including technical assistance, if required.
• Role of NGOs, if involved, and organizations of affected persons in resettlement planning and management.
• How women’s groups will be involved in resettlement planning and management.
XIII. Implementation Schedule

- A detailed, time bound implementation schedule for all key resettlement and rehabilitation activities, to cover all aspects of resettlement activities synchronized with the investment schedule of civil works construction, and provide land acquisition process and timeline.

XIV. Monitoring and Reporting

- The mechanisms and benchmarks for monitoring and evaluating the implementation of the resettlement plan.
- Arrangements for participation of affected persons in the monitoring process.
- Reporting procedures.
Appendix 6. Outline of Indigenous Peoples Plan for Investments

An Indigenous Peoples plan (IPP) is required for all investments with potential impacts on Indigenous Peoples. The level of detail and comprehensiveness of the IPP required is to be commensurate with the significance of potential impacts on Indigenous Peoples (IP). An IPP outline is provided below, to guide the preparation of IPPs.

A. Executive Summary of the Indigenous Peoples Plan

- Concisely describe the critical facts, significant findings, and recommended actions.

B. Description of the Investment

- Provide a general description of the investment.
- Discuss investment components and activities that may impact IP.
- Identify the investment area.

C. Social Impact Assessment

- Legal and institutional framework applicable to IP in context of the investment.
- Baseline information on the demographic, social, cultural, and political characteristics of the affected IP communities; the land and territories that they have traditionally owned or customarily used or occupied; and the natural resources on which they depend.
- Key investment stakeholders.
- A culturally appropriate and gender-sensitive process for meaningful consultation with IP at each stage of investment preparation and implementation, taking the review and baseline information into account.
- Based on meaningful consultation with the affected IP communities, the potential adverse and positive effects of the investment.
- A gender-sensitive analysis of the relative vulnerability of, and risks to, the affected IP communities in the context of their particular circumstances and ties to land and natural resources, as well as their lack of access to opportunities compared to other social groups in the communities or regions in which they live.
- A gender-sensitive assessment of the affected IPs’ perceptions of the investment and its impact on their social, economic, and cultural status.
- Based on meaningful consultation with the affected IP communities, measures necessary to avoid adverse effects. If not possible, identify measures to minimize, mitigate, and/or compensate for such effects and to ensure that IP receive culturally appropriate benefits under the investment.

D. Information Disclosure, Consultation and Participation

- The information disclosure, consultation and participation process with the affected IP communities that was carried out during investment preparation.
- IP comments on the results of the social impact assessment, IP concerns raised during consultation and how these have been addressed in investment design.
• For investment activities requiring broad community support, the process and outcome of consultations with affected IP communities and any agreement resulting from such consultations for the investment activities and safeguard measures required.
• Consultation and participation mechanisms to be used during implementation to ensure IP participation during implementation.
• Confirm disclosure of the draft and final IPP to the affected IP communities.

E. Beneficial Measures
• The measures to ensure that the IP receive social and economic benefits that are culturally appropriate, and gender responsive.

F. Mitigative Measures
• The measures to avoid adverse impacts on IP. Where avoidance is impossible, the measures to minimize, mitigate, and compensate for identified unavoidable adverse impacts for each affected IP group.

G. Capacity Building
• Measures to strengthen the social, legal, and technical capabilities of:
  (a) government institutions to address IP issues in the investment area;
  (b) IP organizations in the investment area to enable them to represent the affected IP more effectively.

H. Grievance Redress Mechanism
• Procedures to redress grievances by affected IP communities.
• How the procedures are accessible to IP and are culturally appropriate and gender sensitive.

I. Monitoring, Reporting and Evaluation
• The mechanisms and benchmarks appropriate to the investment for monitoring and evaluating the implementation of the IPP.
• Arrangements for participation of affected IP in the preparation and validation of monitoring, and evaluation reports.

J. Institutional Arrangement
• Institutional arrangement (responsibilities and mechanisms) for carrying out the various measures of the IPP.
• The process of including relevant local organizations and NGOs in carrying out the measures of the IPP.

K. Budget and Financing
• An itemized budget for all activities described in the IPP.
Appendix 7: Sample Environmental and Social Screening Checklist at a Project Level (by CDF/NFP and FIs)

A. Project Background (required for all prospective projects)

<table>
<thead>
<tr>
<th>Borrower/Investee</th>
<th>Project (proposed investment) title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief project description</td>
<td></td>
</tr>
<tr>
<td>Borrower/Investee details</td>
<td>Name:</td>
</tr>
<tr>
<td></td>
<td>Sector:</td>
</tr>
<tr>
<td></td>
<td>Product:</td>
</tr>
<tr>
<td>Site</td>
<td>Location20:</td>
</tr>
<tr>
<td></td>
<td>Utilities available: ☐ electrical power ☐ water ☐ telecoms</td>
</tr>
<tr>
<td></td>
<td>Surrounding land use:</td>
</tr>
<tr>
<td></td>
<td>Sphere of influence:</td>
</tr>
<tr>
<td></td>
<td>General site condition (facilities, potential contamination):</td>
</tr>
</tbody>
</table>

B. Existing Operations and Project E&S Screening

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Significant effect</th>
<th>No</th>
<th>Info Not Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Existing Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House keeping in work areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there evidence of liquid and solid wastes in the workplace?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Does the enterprise generate high levels of noise (intermittent or continuous) in the workplace or its environs?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any strong smell’s or irritants?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any access or fire risk concerns?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

20 Append map if available
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Significant effect</th>
<th>No</th>
<th>Info Not Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Handling of wastes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are any hazardous waste generated? If yes, how are they managed?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>(check with client)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How are wastewater and other effluents managed?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any of toxic/hazardous material inputs to the process?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>How are they managed on property?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any air emissions from stacks (chimneys)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td><strong>Other environmental issues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the process consume high volumes of water?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Does the process consume large volumes of (non-hazardous) materials?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td><strong>Social and labour issues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are labour and working conditions appropriate?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are workers able to have representation?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any occupational health and safety concerns?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any community health and safety concerns?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are enterprise relations with local communities amicable?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there records of problems, complaints and protests from local communities?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is there adequate public consultation, information dissemination regarding enterprise operations?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

**2. Project Environmental Impacts**

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Significant effect</th>
<th>No</th>
<th>Info Not Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will the Project (new investment) produce solid waste or involve use, storage, transport, handling or production of substances which could be harmful to human health or the environment?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Will the Project lead to risks of contamination of land or water from releases of pollutants onto the ground or into surface waters, groundwater, coastal waters or the sea due to routine or non-routine circumstances?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Will the Project release pollutants or any hazardous, toxic or noxious substances to air under routine or non-routine circumstances?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to affect any areas that are protected under international, national or local legislation for their ecological value or which are important or sensitive for reasons of their ecology?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to result in the conversion or degradation of natural habitat, tropical moist forest or critical habitat or impact on a vulnerable, endangered or critically endangered species?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to adversely impact irreplaceable cultural property (e.g. archaeological, historical or religious sites) with unique natural value or intangible cultural heritage (e.g. social practices, rituals, festive events)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to result in significant greenhouse gas emissions?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to directly or indirectly increase E&amp;S vulnerability to climate change of people and environment?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to be vulnerable to climate change</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
2. Project Social (including Gender) Impacts

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Significant effect</th>
<th>No</th>
<th>Info Not Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will the Project cause any involuntary physical relocation or loss of livelihoods?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Will the Project affect the rights of indigenous people or other vulnerable groups (e.g. poor households)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is the Project likely to impact gender equality and women’s empowerment?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any Project risks regarding the Health, Safety and Security of workers (workers accommodation, hazard risk, etc.)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Are there any Project risks regarding Health, Safety and Security of the public (e.g. high hazards, traffic safety, influx management, HIV/AIDS, risk of accidents)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Is there likely risk of non-compliance with the ILO’s Core Labour Standards (no child/forced labour; equal treatment; and collective bargaining)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

C. Project Categorisation

Is there sufficient information available to categorise the project? ☐ Yes ☐ No

If no, request prospective Borrower/Investee to provide additional information required to facilitate categorisation.

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ A</td>
<td>Significant adverse environmental and social impacts which are complex, sensitive and diverse, have a wide area of influence or are long-term – Moderate to high risk</td>
</tr>
<tr>
<td>☐ B</td>
<td>Local and short-term negative environmental and associated social impacts and for which effective mitigation measures are readily available – Low to moderate risk</td>
</tr>
<tr>
<td>☐ C</td>
<td>Minimal or no adverse impacts – Low risk</td>
</tr>
</tbody>
</table>

Reason for this categorization:

_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________

Completed by: ____________________________________________

Name and title
**D. Corrective Action Plan (Environmental and Social Mitigation Plan)**

This Table is modified from that contained in the Guidelines for the Environmental and Social Screening of Activities Proposed under the Simplified Approval Process (GCF, 2018). The risk assessment for existing operations and project activities anticipated through the proposed project will be completed in the ESDD phase of the ESMS. The potential risks and mitigations recommended to address these should be captured as outlined below.

<table>
<thead>
<tr>
<th>Summary of risks</th>
<th>Mitigation measures</th>
<th>Probability of occurrence</th>
<th>Impact or magnitude of risks</th>
<th>Risk Significance*</th>
<th>Responsible party/person</th>
<th>Schedule</th>
<th>Expected Results</th>
<th>Cost/Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>This contains the description of risks and can be derived from the responses to the screening questions in Part B.</td>
<td>Options to avoid, reduce, mitigate risks and impacts. This may also indicate additional due diligence and specific management plans</td>
<td>This is the likelihood for a risk to occur. It may be characterized as expected, highly likely, moderately likely, not likely, and slight</td>
<td>This describes how severe the impacts would be if it were to occur, as critical, severe, moderate, minor, or negligible</td>
<td>Individual person, unit, or entity tasked to carry out the mitigation measures</td>
<td>Timing of implementation of measures including any additional due diligence and management plans and may depend on the stage of implementation</td>
<td>Expected outputs of the measures</td>
<td>Estimated cost of carrying out the measures</td>
<td></td>
</tr>
</tbody>
</table>

* The entities or organizations that will be implementing the proposed activities are best positioned to define the probability of occurrence and severity or magnitude of impacts. There is no single technique to determine the significance of risks nor will it apply in all situations. Determining risk significance would require an understanding of activities and locations, the urgency of situations, and objective judgment.
Appendix 8: Assessment of Environmental and Social Capacity of the FI and the NFP/Member State

Consider the following in evaluating the environmental and social capacity of the FI and the NFP/Member State:

1. Does the FI/NFP have a sound approach to environmental and social issues?
2. Does the FI/NFP have a good understanding of the potential environmental and social issues that may arise?
3. Does the FI/NFP have the competence to identify and address environmental and social impacts?
4. Does the FI/NFP have a clear policy commitment on:
   - environmental protection,
   - efficient use and management of natural resources,
   - management of social issues and respect for human rights,
   - sustainable development?
5. Is the policy commitment agreed by the FI Board/PMC?
6. What are the policy objectives and targets (if any)?
7. Does the FI/NFP have in place due diligence steps to implement the policy commitments?
   - For assessment of project’s environmental and social impacts,
   - integrating and acting upon findings,
   - monitoring and reporting?
8. Does the FI/NFP ensure access to effective grievance resolution and remedy for project-related adverse impacts, e.g. through a project-level grievance mechanism that meets the IFC/GCF guidance?
9. What resources (expertise, capacity, and systems) are available to implement the FI’s /NFP’s environmental and social policies and procedures?
10. Have lines of responsibility and accountability been clearly established?
11. Are the environmental and social due diligence provisions of the FI/NFP sufficient (i.e. in proportion to the severity of impacts and significance of risks) for the type of investments envisaged?
12. Does the FI/NFP have a good track record on environmental and social issues?
13. Does the FI/NFP report on its environmental and social performance?
14. Does an independent third party validate the report?
15. Does the GCF and/or CDF have previous experience with the FI/NFP?
16. Are there any relevant environmental and social compliance issues concerning the FI/NFP (past or present)?
Appendix 9. Checklist for Developing a Company Environmental and Social Policy Statement
(from ESMS Toolkit-General (IFC, 2015))

Instructions:
Use this checklist to make sure that you are considering the relevant issues in your environmental and social policy.

Environment

- Environmental laws and regulations
- Resource utilization efficiency (energy, water, important input materials, etc.)
- Greenhouse gas (GHG) emissions
- Release of pollutants into air, water, and land
- Handling, storage, and disposal of hazardous chemicals
- Hazardous and non-hazardous wastes
- Recover, reuse, treatment, and proper disposal of waste
- Consideration of non-chemical means to control economically significant pests and vectors
- Conversion of forest lands or wetlands

Labour and Working Conditions

☐ Human resources policies and procedures
  - Documented labour policies and procedures
  - Clear communications throughout the company

☐ Working conditions and terms of employment
  - Respect of collective bargaining agreement, if applicable
  - Reasonable working conditions and terms of employment (e.g. compensation, benefits)
  - Protection for migrant, contract or temporary workers
  - Clean and appropriate accommodations, if applicable

☐ Workers’ organisations
  - Workers’ rights to form and to join workers’ organisations
  - No discrimination against those who organize

☐ Non-discrimination and equal opportunity
  - Non-discrimination in hiring, promotion and compensation practices
  - Training, tools and opportunities for advancement
  - Freedom from harassment by management or other workers
  - Remedy for past discrimination
Retrenchment
- Consideration of alternatives and mitigation in case of retrenchment
- Payments and benefits in compliance with national law

Grievance mechanism
- Transparent process for receiving and resolving worker complaints
- No retaliation or discrimination

Child labour
- Minimum age for employment
- Conditions for engagement of young workers

Forced labour
- Freedom of movement, freedom to resign
- No retention of identification papers or money to detain workers

Occupational health and safety
- Safe work environment and dormitories, if applicable
- Emergency prevention and response system
- Personal protective equipment and appropriate training
- Documentation and reporting of accidents, near misses, and illnesses
- Appropriate use of potentially hazardous chemicals in accordance to Material Safety Data Sheets (MSDS) and International Chemical Safety Cards (ICSC).

Workers engaged by third parties
- Extension of labour policies to labour contractors, recruiting agencies and other third parties
- Grievance mechanism for contracted workers

Supply chain
- Extension of policies and monitoring of supply chain with respect to child labour, forced labour and worker safety to supply chain

Community Health, Safety and Security

Community Health and Safety
- Consumer product safety
- Health and safety of the public related to company activities
- Health and safety of the public related to the construction, operation, and decommissioning of equipment and infrastructure
- Downstream impacts related to wastewater disposal
- Potential community exposure to hazardous materials and substances
- Transportation and disposal of hazardous wastes
- Impact on ecosystem services on which communities rely
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)
November 2019

- Impact on land ownership through acquisition and resettlement
- Community exposure to water-borne, vector-borne and communicable diseases associated with company activities
- Communicable diseases associated with the influx of temporary or permanent project labour
- Emergency situations caused by company activities, equipment and infrastructure
- Excessive or unregulated vehicle traffic near the facility and through communities

- Security personnel
  - Appropriate screening, training, equipping and monitoring of direct or contracted workers providing security services
  - Grievance mechanism for workers and the community to express concerns about the security system and personnel
  - Investigation of allegations of past abuse
Appendix 10. Sample CEO Letter announcing the ESMS - Internal
(from ESMS Toolkit-General (IFC, 2015))

To all employees of our company:

Our vision is to become one of the most respected and admired companies in our area. We aspire to conduct ourselves in an ethical and responsible manner. Corporate social responsibility, which includes environmental, labour rights, and community issues, is a growing concern to investors, consumers and to all of us as people.

To integrate corporate social responsibility into our day-to-day business activities, we are developing and implementing an environmental and social management system (ESMS). A management system consists of trained, committed people routinely following procedures and continually improving.

I ask for your full cooperation in this important initiative. We believe that corporate social responsibility must be a foundation of our long-term growth and profitability. Not only is it an integral part of our overall business strategy, but it is also the right thing to do. It is the right thing for our customers, our suppliers, our shareholders, our communities and for you, as a core part of this company.

As we strive to successfully implement our ESMS, we will train and involve you throughout the process. [Person’s name and title] is in charge of this corporate social responsibility initiative and I will personally ensure that the system is effective. Each of you has a direct line of communication with [person] for any suggestions or concerns. I thank you for your efforts and your continued dedication to our success.
Appendix 11. CARICOM Development Fund Environmental and Social Policy

CARICOM DEVELOPMENT FUND

ENVIRONMENTAL

AND SOCIAL

POLICY (draft 1)

NOVEMBER 2019
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)  
November 2019

### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDF</td>
<td>CARICOM Development Fund</td>
</tr>
<tr>
<td>E&amp;S</td>
<td>Environmental and Social, including gender and occupational health and safety</td>
</tr>
<tr>
<td>EA</td>
<td>Environmental Assessment</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>EIS</td>
<td>Environmental Impact Statement</td>
</tr>
<tr>
<td>EMP</td>
<td>Environmental Management Plan</td>
</tr>
<tr>
<td>FI</td>
<td>Financial Intermediary</td>
</tr>
<tr>
<td>NFP</td>
<td>National Focal Point</td>
</tr>
</tbody>
</table>
GLOSSARY OF TERMS

Corrective Action Plan: See Environmental Management Plan (EMP) below.

Environmental Assessment (EA): Environmental Assessment is a generic term covering various types of assessment processes such as Environmental Impact Assessments, partial Environmental Impact Assessments, Social Impact Assessments, Environmental Management Plans and environmental due diligence.

Environmental Impact Assessment (EIA): Environmental Impact Assessment is the term used to describe a formalised process, including public consultation, in which all the potential environmental impacts and the degree of such impacts of a proposed project are identified and assessed, and measures to mitigate against any potential adverse impacts that might occur as a result of the proposed undertaking are identified. Environmental and Social Impact Assessment (ESIA) is used interchangeably.

Environmental Impact Statement (EIS): The Environmental Impact Statement is the report produced as an output of an Environmental Impact Assessment (required content is stipulated under national legislation). It usually includes an EMP.

Environmental Management Plan (EMP): The Environmental Management Plan will (i) describe the actions necessary to implement the various mitigation measures or corrective actions to be undertaken to address potential adverse impacts identified; (ii) prioritize these actions; (iii) include the timeline for their implementation; and (iv) describe the schedule and mechanism for external reporting on the Borrower/Investee’s implementation of the Action Plan. The EMP is usually included in the EIS. The term Corrective Action Plan is used interchangeably by many Financial Intermediaries.

Social Impact Assessment (SIA): Social Impact Assessment is undertaken as part of the EIA process, and is a due diligence process carried out to systematically screen projects regarding social issues. SIA is an analysis of relevant social issues and factors within the project context. It may vary from project to project and includes both positive and negative aspects.

Mitigation: Steps taken to avoid or minimise potential negative environmental impacts. Mitigation can include:

- avoiding the possible impact by not taking a certain action;
- minimising possible impacts by limiting the degree or magnitude of the action;
- rectifying the impact by repairing or restoring the affected environment;
- reducing the potential impact by protective steps required with the action; and
- compensating for the impact by replacing or providing substitute resources.
CARICOM DEVELOPMENT FUND ENVIRONMENTAL AND SOCIAL POLICY

Policy Statement

1. The CARICOM Development Fund (CDF) was established under Article 158 of the Revised Treaty of Chaguaramas Establishing the Caribbean Community, including The CARICOM Single Market & Economy (CSME). Its creation responds to the imperative Article 157 to urgently address the needs of the disadvantaged countries, regions and sectors to enable them “to participate effectively in the CSME and to administer international trade agreements. The CDF provides loans, grants and technical assistance to the public and private sectors of Member States to:

   • address adverse economic and social impacts arising from the implementation of CSME;
   • attract investment and new industries to disadvantaged countries, regions and sectors;
   • improve efficiency and competitiveness of industry; and
   • achieve structural diversification and infrastructural development.

2. The CDF’s social and environmental objectives are to:
   a) Preserve and protect environmental quality;
   b) Ensure sustainable utilisation of natural resources;
   c) Protect human health;
   d) Preserve human rights;
   e) Contribute to poverty alleviation and gender equity;
   f) Contribute to sustainable socio-economic development;
   g) Promote measures to address environmental issues such as climate change and disaster risk reduction.

3. All projects financed by CDF should:
   a) Comply with social and environmental policy, legislation and regulations of the Member State;
   b) Comply with CARICOM and other regional social and environmental policies and commitments, including the CARICOM Gender Policy;
   c) Comply with international Conventions and agreements ratified by the Member State;
   d) Apply best available practice as appropriate;
   e) Apply best environmental management practice during project implementation and operation.
4. CDF Borrowers/Investees are expected to apply the environmental principles of “prevention”, “precaution” and “polluter pays”, favoring preventive measures over mitigatory or compensatory measures whenever feasible.

5. This policy is approved and supported by senior management and Board of the CDF. All CDF staff, clients and other external stakeholders are expected to comply with and promote this policy, seeking to continually improve the overall performance of the CDF portfolio through enhanced risk management.

6. The CDF will develop and maintain the necessary internal capacity and structure for the implementation of this strategy, continually building staff capacity to identify and mitigate environmental and social risks.

7. All projects proposed for CDF support will be subject to environmental screening by the NFP or the FI, regardless of project size, nature or location and environmental objectives (if any). This will help ensure that CDF-financed projects are environmentally sound and sustainable and will better inform decision making. The environmental screening will also determine the extent of environmental assessment (EA) required of the Borrower/Investee. The CDF’s review of the EA may result in a project being deemed ineligible for CDF-funding.

8. If an Executing Agency, Investee or Borrower with a component/project under consideration for CDF support has inadequate capacity to carry out key EA-related functions for a proposed project including development of EIA or EMP, management of mitigatory measures, environmental monitoring and reporting, the project financed by the CDF may include components to strengthen that capacity.
Appendix 12. Suggested Job Description of the ESMS Officer for CDF and FIs

**ESMS (Environmental and Social Management System) Officer**

The ESMS (Environmental and Social Management System) Officer is expected to be someone from the organisation’s senior management, preferably from within the risk management line, and should have sufficient authority and organisational influence to ensure the ESMS is properly implemented organisation-wide. S/he should have a reasonable background in both environment and finance and be able to perform the following tasks:

- Oversee the organisation’s E&S risk management and implementation of ESMS
- Manage resources (budget and staff) for E&S risk management and training
- Ensure the coordination and integration of E&S risk management procedures with the organisation’s internal credit process
- Report any major E&S issues to senior management and secure the support for and approval of E&S risk management issues by senior management
- Review and approve the organisation’s annual E&S performance report to stakeholders

**ESMS coordinator(s)**

Depending on the organisational structure and business scope, the ESMS officer may be supported by one or more ESMS coordinators to review or coordinate the day-to-day E&S tasks performed by other staff (i.e., credit officers, environmental and social specialists, and consultants), according to the staff roles specified in the ESMS. Otherwise, these duties are also the responsibility of the E&S Officer:

- Evaluate environmental compliance of a target client company with applicable requirements during due diligence, such as site visits, collection of necessary E&S documentation (e.g., certificates and authorizations), and preparation of E&S due diligence reports (or an E&S section of the credit application)
- Ensure that all investment decisions are supported by appropriate due diligence documentation, including, but not limited to, an E&S section in each final Project/Component Document
- Ensure that appropriate environmental representations, warranties, and covenants are incorporated in each loan or investment agreement
- Supervise portfolio projects’ on-going compliance with the applicable requirements on a regular basis, which may include:
  - Conducting site visits, monitoring the implementation of E&S action plan (if any) by the clients, reviewing clients’ annual reports, and recording clients’ E&S ongoing performance
  - Resolving E&S issues in case of non-compliance, and where needed, preparing a time-bound corrective action plan with specific follow-up procedures
- Prepare the organisation’s annual environmental performance report, based on the annual performance reports provided by its client companies
• Ensure that these procedures are implemented for each project, and that records of environmental reviews (i.e., appraisal and monitoring) are maintained.
Appendix 13: Annual Environmental and Social Monitoring Report at Project Level

PROJECT LEVEL ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT

1. This form is not required to be completed for projects in Category C. All others are required to complete this form.

Reporting Period: ____________________________ NFP: __________________________________________ Country: __________________________

Investee/Borrower: __________________________________________

Project E&S Risk Category: ☐ A ☐ B ☐ C

E&S Staff Contacts

Contacts with responsibility for environmental or social matters (add rows if required)

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone</th>
<th>email</th>
<th>E&amp;S qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investments

<table>
<thead>
<tr>
<th>New investments</th>
<th>Yes</th>
<th>No</th>
<th>NA 21</th>
<th>DK 22</th>
<th># of explanation note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the Borrower/Investee project fall within the project exclusion lists? (For any answer except no, please add an explanation note)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have any of the following adverse impacts been associated with the Borrower/Investee project? (For any answer except no, please add an explanation note)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Non-compliance with national environmental, health &amp; safety or labour laws and regulations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Non-compliance with IFC Performance Standards (if applicable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Non-compliance with covenants or other legal agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Non-compliance with an agreed Environmental and/or Social Action plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. Complaints from regulatory agencies, interest groups, or local communities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi. Fatalities or serious injury</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii. Strikes (with or without violence) or other labour disputes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>viii. Legal Action</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21 Not applicable
22 Don’t know
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<table>
<thead>
<tr>
<th>ix. Fines, penalties or increased permit charges</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
<th>DK</th>
<th># of explanation note</th>
</tr>
</thead>
<tbody>
<tr>
<td>x. Negative attention on the part of the media or non-governmental organisations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Have there been any positive reports by media or non-governmental organisations about projects of investee companies? *(For any yes response, please add an explanation note)*

<table>
<thead>
<tr>
<th>Environmental and policy social management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the Borrower/Investee financing/investment decisions guided by an E&amp;S Policy <em>(may include Code of Conduct, Human Resource Management, Health &amp; Safety)</em> signed by the top management? <em>(if yes, please provide a copy)</em></td>
</tr>
<tr>
<td>Is the Borrower/Investee contractually bound to comply with applicable national environmental, health &amp; safety and labour laws and regulations?</td>
</tr>
<tr>
<td>Is the Borrower/Investee contractually bound to comply with the IFC or other relevant Performance Standards? <em>If other, specify:</em></td>
</tr>
</tbody>
</table>

**Assessment**

Were the following procedures part of your assessment procedure?

| i. Documented procedure for environmental & social assessment *(if different from the CDF ESMS, please provide a copy)* | Yes | No | NA | DK | # of explanation note |
| ii. Categorization of Borrower/Investee project risks to determine appropriate procedures | | | | | |
| iii. Use of checklist or questionnaire *(if different from the ESMS, please provide a copy)* | | | | | |
| iv. Use of consultants/specialists | | | | | |
| v. Informal assessment *(for example verbal questioning of Borrower/Investee)* | | | | | |
| vi. We do not appraise environmental and social issues | | | | | |
| vii. Other *(if yes, please specify in an explanation note)* | | | | | |

Has the Borrower/Investee project been required by State authorities to undertake any of the following?

| i. Environmental and/or Social Impact Assessment | Yes | No | NA | DK | # of explanation note |
| ii. Focused Environmental and/or Social Impact Assessment | | | | | |
| iii. Environmental and/or Social Impact Audit | | | | | |
| iv. Environmental and/or Social Management Plan (ESMP) | | | | | |

Is the Borrower/Investee contractually bound to comply with a Corrective Action Plan (ESMP)?

**Monitoring**

Do you conduct supervision visits to the Borrower/Investee project? *If yes, how often:*
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)
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<table>
<thead>
<tr>
<th>If any Corrective Action Plan (ESMP) was agreed, do you assess progress made? (if yes, specify how and how often in an explanation note)</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
<th>DK</th>
<th># of explanation note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the Borrower/Investee complied satisfactorily with the Corrective Action Plan (ESMP)? (if no, provide more information in an explanatory note)</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
<td>DK</td>
<td># of explanation note</td>
</tr>
<tr>
<td>Were there any other environmental, health, safety or social issues or concerns in the reporting period? (if yes, provide more information in an explanatory note)</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
<td>DK</td>
<td># of explanation note</td>
</tr>
<tr>
<td>Do you check for ongoing compliance of the Borrower/Investee project with national E&amp;S regulation and any other requirements? (if yes, please describe the process in an explanation note)</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
<td>DK</td>
<td># of explanation note</td>
</tr>
</tbody>
</table>

**Reporting**

Is there an internal process to report on E&S issues to EA senior management? (if yes, please explain the process, reporting format and frequency and actions taken in response if any, in an explanation note) | Yes | No | NA | DK | # of explanation note |

Are environmental and social issues discussed during supervision meetings? If yes, specify frequency: □ Always □ Sometimes □ Never | Yes | No | NA | DK | # of explanation note |

Does the Borrower/Investee report on its E&S performance on a regular basis? (if yes, specify how, how often, and to whom, in an explanation note) | Yes | No | NA | DK | # of explanation note |

**Challenges and Recommendations**

Are there any difficulties and/or constraints related to the implementation of the Environmental and Social Management System? (if yes please provide details, in an explanation note) | Yes | No | NA | DK | # of explanation note |

Are there any recommendations to improve the implementation of the Environmental and Social Management System? (if yes please provide details, in an explanation note) | Yes | No | NA | DK | # of explanation note |

**Authorization**

Completed by: __________________________________________________________

Name and title

______________________________  ______________________________
Date  Signature

Approved by: __________________________________________________________

Name and title

______________________________  ______________________________
Date  Signature
Appendix 14. Grievance Redress Mechanism

Grievance Management is one of several components of stakeholder engagement. The GRM should be an integral part of a Borrower/Investee’s broader process of stakeholder engagement and business integrity principles. Having a good overall community engagement process in place and providing access to information on a regular basis can go a long way in preventing grievances from arising or from escalating to a level that can potentially undermine business performance. Making the early and genuine effort to develop a well-functioning community engagement process is a good risk-management strategy for a Borrower/Investee.

A project Grievance Redress Mechanism (GRM) receives and facilitates the resolution of affected peoples’ concerns, complaints, and grievances about the project’s environmental and social safeguards performance. When and where the need arises, this mechanism will be used for addressing any complaints that may arise during the construction and operation of the project. The grievance mechanism is scaled to the risks and adverse impacts of the project. It addresses affected people’s concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected people at no costs and without retribution. The mechanism does not impede access to the judicial or administrative remedies available in the country.

The grant/loan applicant (the beneficiary Borrower/Investee) is required to appropriately inform the people potentially affected by its project(s) about the GRM before commencement of any works. A Stakeholder engagement Plan (SEP) that incorporates a GRM should be a condition of the grant/loan from the CDF/FI to the Borrower/Investee. Communications required of the Borrower/Investee are to be detailed by the CDF/NFP or FI and included in the Agreement between the two parties. This will identify:

- stakeholders to be targeted
- mode of communication (e.g. sign on Borrower/Investee premises, community meetings; distribution of flyers to homes, businesses, community leaders, community facilities in the area; use of town crier, etc.)
- content of communication
- timing and frequency of communication

The IFC (2007) outlines the following in relation to Grievance Management:

1. Process is important
2. Scale the mechanism to project needs
3. Put it in writing and publicize it
4. Bring in third parties where needed
5. Make it accessible
6. Response time and transparency matter
7. Keep good records and report back
8. Don’t impede access to legal remedies

These requirements are incorporated in the GRM process outlined below.
Functions of the CDF GRM

The key functions of the GRM are to:

(i) record, categorize and prioritize community grievances;
(ii) resolve the grievances in consultation with the complainant(s) and other stakeholders in a timely manner;
(iii) keep the aggrieved parties informed about the solutions;
(iv) forward unresolved cases to higher authorities for resolution;
(v) monitor project impacts as perceived by affected communities, throughout project design and construction, and institute project and GRM improvements based on lessons learnt.

It is important that the grievance mechanism be impartial, transparent and fair. Persons seeking redress through the GRM could include persons within communities affected by project or related works, as well as persons who feel that the administrative or selection procedures of the FI or the CDF have somehow disadvantaged them.

The GRM does not preclude, at any time, access to the more formal regulatory processes available to aggrieved parties. At any time, complainants are also able to seek legal redress in accordance with the laws and regulations of the country.

The GRM is separate from internal grievance mechanisms available for employees of the various companies involved in this project, whether project FIs, service providers or Borrowers/Investees.

Officers identified to address grievances

An officer will be identified to be the grievance focal point to receive, record, review, and address project related concerns in each of the following:

1. within each FI
2. within each NFP
3. within the CDF project management team

The FI/NFP will determine as part of its project GRM design, whether a grievance focal point is also to be identified at the Borrower/Investee level.

The GCF GRM may also be accessed for any complaints relating to the CDF. This is not described in this document. The GCF Independent Redress Mechanism (IRM) responds to complaints by people who feel they have been adversely affected by GCF projects or programmes failing to implement GCF operational policies and procedures. This includes allegations of a failure to follow adequate environmental and social safeguards. Complainants are referred to:

Independent Redress Mechanism
Green Climate Fund
Songdo Business District

https://www.greenclimate.fund/independent-redress-mechanism
GRM structure and procedures

There is nothing to prevent an aggrieved person from directly approaching a figure of authority at the project level (e.g. the project manager or the Borrower/Investee Manager) or the GRM-identified focal point at the project worksite with a complaint, in anticipation of a speedy resolution. This may quickly resolve small issues before they escalate, and the project managers at the site level are encouraged to address potential issues quickly and amicably in this way. Project management should document such complaints and how they have been addressed using the Complaints Log provided in this document. These experiences should be used to modify and improve the approach to the work at hand to prevent a recurrence of similar issues.

It is possible however, that the aggrieved person(s) may be uncomfortable with approaching or confronting the project implementers directly or may be of the view that their concerns will not be addressed as they should be, if they use this direct approach. The GRM provides other options to them.

Any complaint received through the GRM is to be recorded and investigated by the focal point to which the complaint has been directed. The focal point may call on other resources at its disposal to support the investigation. The resources called upon in this way may include staff of his/her organisation, staff of the NFP or CDF, local area authorities or public agencies such as those responsible for development control, environmental management, water resources management, indigenous peoples affairs, etc.

The focal point to whom the complaint has been directed will immediately inform the entity identified by the aggrieved party as the cause of their concern, that a complaint has been filed. The complaint information should preferably be shared without revealing the origin of the complaint, and certainly if anonymity has been requested by the aggrieved party. It is noted that identification and agreement on appropriate resolution may require dialogue between some or all of the concerned parties (including the Borrower/Investee, FI, NFP, project management, local leaders and local agencies). At all times, assuming the complaint is legitimate, efforts should be made to take corrective action expeditiously, once a reasonable resolution is clear. In the GRM process, relevant national agencies are expected to be reasonably available to review public complaints and advise as required.

The focal point receiving the complaint will maintain a complaints log that records:

- the date and details of each complaint,
- who makes the complaint (if this information is provided),
- the investigation undertaken, and
- the dates and actions taken as a result of the investigation.
The complaints log will also cross reference any non-compliance report and/or corrective action report or other relevant documentation. The complaints log template is attached.

Any person or organisation may make comments and/or complaints in person, by phone or via post or email using the contact information provided at the end of the sample Grievance Form attached. The Grievance Form inclusive of project specific contact information should be readily accessible within potentially affected communities and online in accordance with the project GRM agreed between the FI/NFP and the Borrower/Investee.

The project Stakeholder Engagement Plan (SEP) agreed between the NFP/FI and the Borrower/Investee must be implemented to the agreed timeframe, and GRM information disseminated as stipulated in that agreement, to provide the potentially affected public with project information and how to access the grievance redress mechanism, before works commence. Such communications should include contact details of the site project manager and the CDF, NFP and FI focal points.

Borrowers/Investees are to be informed of the availability of the GRM by the FI and/or NFP/CDF, and redress available to them if necessary. This information should also be posted on the websites of the FI and the CDF.

The focal point to whom a complaint has been directed is required to pursue resolution of the issue until it has been satisfactorily resolved, unless the complainant has escalated the complaint or opted to pursue another form of redress. The complainant or his/her representative should be kept regularly updated on the progress being made towards resolution, until the matter is closed.

The focal points will maintain GRM information and their employers will include this information in their regular progress reports and in their annual environmental and social reports.

**Timeframes**

The timeframes outlined here are to guide actions to be taken at the level of the FI, NFP or the CDF. As earlier noted, the GCF processes are already defined elsewhere.

The GRM focal point receiving the complaint will immediately log the details in the complaints log maintained at their location.

All grievances should be acknowledged within 5 working days of receiving the grievance, if contact information has been provided.

The GRM focal point receiving the complaint will review and attempt to find a solution to the problem within two weeks in consultation with other staff within their agency, other GRM focal points, relevant local agencies and local area leaders. Should resolution require more time, the complainant should be updated every two weeks on progress. The GRM focal point receiving the complaint will report back to the affected persons within 1 week of a solution being determined.
If the complaint upon investigation is found not to be warranted, this conclusion is to be communicated to the complainant, and documented accordingly in the Complaints Log. The complainant has the option to pursue the matter otherwise. If a complainant is not satisfied with the way his/her grievance has been responded to or handled and re-submits it, the receiving focal point will invite representatives of the relevant local community to participate in the process in an effort to identify a mutually agreed solution for implementation.

If unresolved, or at any time the complainant is not satisfied with the progress or the outcome, he or she has the option to escalate the grievance to the next level in the GRM hierarchy, take the matter to the appropriate authorities (government authorities such as those responsible for development control, environmental management, water resources management, etc.) for their intervention, or to pursue redress via the court system.

Details of successfully addressed complaints, complaints deemed unwarranted, and complaints that have been escalated will be documented in the GRM reports of the FIs, NFPs and the CDF.

A summary of complaints, the efforts made to resolve them and their status will be published by the FIs and CDF on a bi-annual basis.

Table 1 presents the steps and corresponding time frame for the proposed CDF GRM.

**Table 1. Summary of the CDF GRM Process**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Process</th>
<th>Duration</th>
</tr>
</thead>
</table>
| 1     | Affected person or their representative (community leader, group leader, elected representative) or other concerned party takes grievance to one or other of the following:  
  i. Project focal point on site  
  ii. FI focal point  
  iii. NFP focal point  
  iv. CDF focal point  
  v. GCF GRM | Any time |
| 2     | Person with whom grievance has been lodged (GRM focal point) acknowledges receipt of the complaint. | Within 5 days of receipt of complaint |
| 3     | Person with whom grievance has been lodged (GRM focal point) reviews and finds solution to the problem in consultation with relevant parties (e.g. project manager, local area leaders and/or relevant agencies). If resolution has not been reached, complainant is updated on progress. | Within 2 weeks of receipt of complaint, or of last update |
| 4     | Person with whom grievance has been lodged (GRM focal point) acknowledges receipt of the complaint. | Within 1 week of |
**Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)**

**November 2019**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Process</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>focal point) reports back an outcome to the person(s) who submitted the grievance.</td>
<td>resolution of complaint</td>
</tr>
<tr>
<td>If grievance is unresolved or affected person is not satisfied with the outcome</td>
<td>Concerned party escalates grievance to the next tier of authority within the GRM.</td>
<td>Within 2 weeks of receipt of decision in step 4</td>
</tr>
<tr>
<td></td>
<td>This agency reviews and finds a solution which may include recommendation of dispute resolution, and an appropriate body to oversee.</td>
<td>4 weeks</td>
</tr>
<tr>
<td></td>
<td>Agency reports back to the complainant.</td>
<td>1 week</td>
</tr>
<tr>
<td>If grievance is unresolved or at any stage affected person is not satisfied with the outcome</td>
<td>Concerned party takes grievance to relevant national authorities</td>
<td></td>
</tr>
<tr>
<td>If grievance is unresolved or at any stage affected person(s) is not satisfied with the outcome</td>
<td>Concerned party can take the matter to As per judicial system court</td>
<td></td>
</tr>
</tbody>
</table>

**Reporting, monitoring and continuous improvement**

The GRM focal point is required to track and document all activity in relation to the complaint in the Complaints Log. Regular evaluations as to whether the issue is being resolved are to be undertaken, and the approach revised accordingly.

Experiences and lessons learned will be documented and will shape how similar issues are approached in the future.

CDF will monitor the way in which grievances are being handled by the FIs and NFPs and ensure they are diligently pursued and properly addressed within deadlines specified.

Borrowers/Investees, FIs, NFPs and CDF will keep a Complaints Log of all grievances received.

Grievance management reports will be produced by FIs, EA and NFP, and included in their annual environmental and social reports. The NFP will provide information to CDF on all grievances received on a monthly basis, and also in management reports to CDF as part of its regular reporting. CDF will post summary information on its website on an annual basis.

Grievance management report templates are attached.
## SAMPLE GRIEVANCE FORM

**For completion by Complainants**

<table>
<thead>
<tr>
<th>Reference no. (for official use)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Full name of Complainant:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Note:** You can choose to remain anonymous or request that your identity not be disclosed to third parties without your consent.

- [ ] I wish to raise my grievance anonymously (please note that if you choose to remain anonymous a response cannot be provided back to you)
- [ ] Do not disclose my identity without my consent
- [ ] I have no objection to disclosure of my identity

<table>
<thead>
<tr>
<th>Contact Information and preferred method of communication</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

- [ ] By post, to postal address:

  ______________________________________________________
  ______________________________________________________

- [ ] By telephone, to number_____________________________

  During the hours:
  - anytime
  - between 8 am and 4 pm
  - before 7 am
  - after 5 pm
  - other (specify)_________________

- [ ] By email, to ________________________

<table>
<thead>
<tr>
<th>Language</th>
<th>Please indicate your preferred language for communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>English</td>
<td>Dutch</td>
</tr>
<tr>
<td>Spanish</td>
<td>Other (specify)______________________________</td>
</tr>
</tbody>
</table>

**Description of incident or grievance (add a sheet if more space is needed):**

Provide name of company complaint is about. What happened? Where did it happen? What caused the problem? What is the result of the problem? Who was affected?

<table>
<thead>
<tr>
<th>Date of incident/grievance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

- [ ] One time incident/grievance (date __________)
- [ ] Happened more than once (how many times? ___)
- [ ] On-going (currently experiencing problem)

**Previous complaint:**

Is this the first time you have complained about this matter?  [ ] Yes  [ ] No

If no, when did you complain, to whom, and what if anything, was done to address the matter?

---

24 to be amended for each Borrower/Investee project, to include project, approved Partner and CDF officer information
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)  
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If there was a response, please explain why you not satisfied with that response.

How would you like the problem to be resolved (add a sheet if more space is needed)?

Please return this form to either of the contacts below:

Borrower/Investee information to be inserted here if there is a Borrower/Investee-level focal point  
Contact person:  
Address:  
Tel:  
E-mail:  

FI information to be inserted here  
Contact person:  
Address:  
Tel:  
E-mail:  

NFP Grievance Officer information to be inserted here  
Contact person:  
Address:  
Tel:  
E-mail:  

CDF Grievance Officer information to be inserted here  
Contact person:  
Address:  
Tel:  
E-mail:  

Put Agency name here
# Complaints Log

<table>
<thead>
<tr>
<th>Complaint Reference Number:</th>
<th>Date of complaint:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and title of person contacted by complainant</td>
<td></td>
</tr>
<tr>
<td>Company complained about</td>
<td></td>
</tr>
<tr>
<td>How compliant was made</td>
<td>❑ in person ❑ phone ❑ post ❑ email ❑ other (specify)</td>
</tr>
<tr>
<td>Source of complaint (Name and contact details if provided):</td>
<td>❑ community ❑ Service Provider ❑ Borrower/Investee</td>
</tr>
<tr>
<td></td>
<td>❑ Service Provider workforce ❑ Borrower/Investee workforce</td>
</tr>
<tr>
<td></td>
<td>❑ anonymous ❑ other (specify)</td>
</tr>
<tr>
<td>Disclosure requirements</td>
<td>❑ Grievance to be anonymous ❑ No disclosure without consent</td>
</tr>
<tr>
<td></td>
<td>❑ No objection to disclosure of identity</td>
</tr>
<tr>
<td>Reason(s) for complaint</td>
<td></td>
</tr>
<tr>
<td>Potential or Actual Impact(s) of issue(s) of complaint</td>
<td></td>
</tr>
<tr>
<td>Is this the first time this complaint has been made? If no, indicate number of times and previous complaint log reference number(s)</td>
<td>By this complainant ❑ Yes ❑ No (If no, number _______)</td>
</tr>
<tr>
<td></td>
<td>About this issue ❑ Yes ❑ No (If no, number _______)</td>
</tr>
<tr>
<td></td>
<td>Complaint log reference number(s) for previous related complaints ________</td>
</tr>
<tr>
<td>Related non-compliance report and/or corrective action report or other relevant documentation</td>
<td>❑ No ❑ Yes (If yes, provide details)</td>
</tr>
<tr>
<td>Complaint deemed unwarranted</td>
<td>❑ No ❑ Yes (If yes, provide details of why and who has made this determination)</td>
</tr>
<tr>
<td>Has complainant escalated the complaint or opted for another form of redress?</td>
<td>❑ No ❑ Yes (If yes, provide details of how, when and why) ❑ DK</td>
</tr>
</tbody>
</table>
## Summary of Actions taken to date by focal point/others

<table>
<thead>
<tr>
<th>Date</th>
<th>Action taken since last entry (persons met, resolutions identified and/or actioned, etc.)</th>
<th>Date and content of related communications with complainant</th>
<th>Complainant response</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Date</td>
<td>Action taken since last entry (persons met, resolutions identified and/or actioned, etc.)</td>
<td>Date and content of related communications with complainant</td>
<td>Complainant response</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
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</tr>
</tbody>
</table>
Put Agency name here

Monthly GRM Report for the month of _____________________

Attach Complaints Logs for all active complaints (new or ongoing)

No. of new complaints received for the month:

Further monitoring or action recommended (if any) (reference complaint number and action to be taken):

Lessons learned (if any):
Put Agency name here

Annual GRM Summary Report for year ____________

Number of complaints received for the year:

Number of complaints deemed unwarranted and reason for this:

Number of complaints for the year resolved:

Number of complaints for the year to date unresolved and why:

Number of complaints for the year escalated or another form of redress pursued:

Lessons learned:
Appendix 15. Serious Incident Report Template

**Report on ESG issue / incident in Borrower/Investee company (prepared by FI or NFP)**

Date of report:
Name of FI/NFP:
FI/NFP contact person:
Name of Project EA or Borrower/Investee:
Date of investment:
Amount invested:

<table>
<thead>
<tr>
<th>Description of issue</th>
<th>Follow-up by NFP/FI</th>
<th>Next steps</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Type of incident: environmental issue, fatality, alleged fraud, other</td>
<td>• Status of investigation</td>
<td>• Whether to close the case, or proceed with investigations, how to do so, and the rationale for it</td>
<td></td>
</tr>
<tr>
<td>• Name of person(s) involved / injured / deceased, if applicable</td>
<td>• Reports received (and outstanding, if any)</td>
<td>• Whether to impose covenants/ conditionalities as a result of any non-compliance</td>
<td></td>
</tr>
<tr>
<td>• Narrative and contextual information</td>
<td>• Immediate actions taken by the NFP/ FI and other parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Whether incident was work or non-work related</td>
<td>• Further actions to prevent re-occurrence of incident</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cause(s) of incident</td>
<td>• Monitoring / reporting arrangements to follow up on efficacy of actions taken</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Status of investigation</td>
<td>• Results to date of actions taken</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Listing of parties involved in investigation (witnesses and staff, unions, police, other authorities and other parties)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• NFP/ FI's view of incident: degree of severity, possible uncertainties or disputed facts to be investigated</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 16: Annual Environmental and Social Monitoring Report for FIs and NFPs

ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT (for NFP submission to CDF)

1. NFPs are required to complete all parts of this form, based on EA reports.
2. All FIs are required to complete Parts B and C of this form. FIs in Category FI-3 are not required to complete Part A of this form.

Reporting Period: ____________________________  NFP: ____________________________  Country: ____________________________

FI (if applicable): ____________________________

Current E&S Risk Category:  
- FI:  
  - FI-3 (low/no risk)  
  - FI-2 (medium risk)  
  - FI-1 (high risk)  
- NFP

E&S Staff Contacts

<table>
<thead>
<tr>
<th>Level</th>
<th>Name</th>
<th>Phone</th>
<th>email</th>
<th>E&amp;S qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td>Coordinator</td>
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</table>

PART A (FIs in Category FI-3 are not required to complete Part A of this form)

Investments

<table>
<thead>
<tr>
<th>New investments</th>
<th>Yes</th>
<th>No</th>
<th>NA 25</th>
<th>DK 26</th>
<th># of explanation note</th>
</tr>
</thead>
</table>

Do any Borrower/Investee projects fall within the project exclusion lists? (For any answer except no, please add an explanation note)  

Portfolio E&S overview

Have any of the following adverse impacts been associated with any of your Borrower/Investee projects: (For any answer except no, please add an explanation note)  

- Non-compliance with national environmental, health & safety or labour laws and regulations
- Non-compliance with IFC Performance Standards (if applicable)
- Non-compliance with covenants or other legal agreements
- Non-compliance with an agreed Environmental and/or Social Action plan
- Complaints from regulatory agencies, interest groups, or local communities

25 Not applicable  
26 Don’t know
### Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)

November 2019

<table>
<thead>
<tr>
<th>vi. Fatalities or serious injury</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
<th>DK</th>
<th># of explanation note</th>
</tr>
</thead>
<tbody>
<tr>
<td>vii. Strikes (with or without violence) or other labour disputes</td>
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<tr>
<td>viii. Legal Action</td>
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<tr>
<td>ix. Fines, penalties or increased permit charges</td>
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<tr>
<td>x. Negative attention on the part of the media or non-governmental organisations</td>
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</tbody>
</table>

Have there been any positive reports by media or non-governmental organisations about projects of investee companies? *(For any yes response, please add an explanation note)*

### Environmental and policy social management

Are your financing/investment decisions guided by an E&S Policy (may include Code of Conduct, Human Resource Management, Health & Safety) signed by the top management? *(if yes, please provide a copy)*

What are the underlying criteria for your E&S Management?

- i. applicable national environmental, health & safety and labour laws and regulations
- ii. CDB Environmental and Social Review Procedures
- iii. IFC Performance Standards
- iv. Other *(Please specify)*

Do you contractually bind your Borrower/Investee companies to comply with applicable national environmental, health & safety and labour laws and regulations?

Do you contractually bind your Borrower/Investee companies to comply with the CDB Environmental and Social Review Procedures?

Do you contractually bind your Borrower/Investee companies to comply with the IFC Performance Standards?

### Assessment

Are the following procedures part of your assessment procedure?

- viii. Documented procedure for environmental & social assessment *(if different from the ESMS, please provide a copy)*
- ix. Categorization of Borrower/Investee project risks to determine appropriate procedures
- x. Use of checklist or questionnaire *(if different from the ESMS, please provide a copy)*
- xi. Use of consultants/specialists
- xii. Informal assessment *(for example verbal questioning of Borrower/Investee)*
- xiii. We do not appraise environmental and social issues
- xiv. Other *(if yes, please specify in an explanation note)*

Have any Borrower/Investee projects been required by State...
Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)  
November 2019

<table>
<thead>
<tr>
<th>Authorities to undertake any of the following (if yes, specify number and kind of projects in an explanation note):</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
<th>DK</th>
<th># of explanation note</th>
</tr>
</thead>
<tbody>
<tr>
<td>v. Environmental and/or Social Impact Assessment</td>
<td></td>
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<tr>
<td>vi. Focused Environmental and/or Social Impact Assessment</td>
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<tr>
<td>vii. Environmental and/or Social Impact Audit</td>
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<tr>
<td>viii. Environmental and/or Social Management Plan (ESMP)</td>
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</tbody>
</table>

Have you negotiated and agreed upon Corrective Action Plan (ESMP) with any Borrower/Investees? (if yes, specify number and kind of projects in an explanation note)

Have you rejected any potential Borrower/Investee investments for environmental, health, safety or social reasons in the reporting period? (if yes, specify number and kind of projects)

**Monitoring**

If any Corrective Action Plan/ESMP was agreed, do you assess progress made? (if yes, specify how and how often in an explanation note)

How often do you conduct supervision visits to your Borrower/Investees:

i. Category A (high risk)
   - monthly
   - quarterly
   - annually
   - other (please specify)

ii. Category B (medium risk)
   - monthly
   - quarterly
   - annually
   - other (please specify)

iii. Category C (low risk)
    - monthly
    - quarterly
    - annually
    - other (please specify)

Do you check for ongoing compliance of your Borrower/Investee projects with national E&S regulation and any other requirements? (if yes, please describe the process in an explanation note)

Do your Borrower/Investees report on their E&S performance on a regular basis? (if yes, specify how and how often, in an explanation note)

**Reporting**

Is there an internal process to report on E&S issues to senior management or the PMC? (if yes, please explain the process, reporting format and frequency and actions taken in response if any, in an explanation note)

**Capacity and training**

Did your staff receive training in environmental and social management, screening techniques during the reporting period? (if yes, please describe the training and learning activities, and who benefitted, in an explanation note)
### Environmental and Social Management System (ESMS) for the CARICOM Development Fund (CDF)

November 2019

<table>
<thead>
<tr>
<th>What was the budget allocation and % spent for staff training during the reporting period? (please specify currency) USD________ % spent_______</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
<th>DK</th>
<th># of explanation note</th>
</tr>
</thead>
</table>

- Will your staff receive training in environmental and social management, screening techniques in the upcoming period? (if yes please provide details, in an explanation note)
  - Yes
  - No
  - NA

- Do you discuss environmental and social issues during supervision meetings?
  - Always
  - Sometimes
  - Never

- Do you file a supervision report after supervision meetings?
  - Always
  - Sometimes
  - Never

### Challenges and Recommendations

- Are there any difficulties and/or constraints related to the implementation of the Environmental and Social System? (if yes please provide details, in an explanation note)
  - Yes
  - No

- Are there any recommendations to improve the implementation of the Environmental and Social System? (if yes please provide details, in an explanation note)
  - Yes
  - No

### Authorization

Completed by: ____________________________________________

Name and title

____________________________

Date

____________________________

Signature

Approved by: ____________________________________________

Name and title

____________________________

Date

____________________________

Signature
### PART B (All FIs are required to complete Parts B and C of this form)

#### NEW BORROWER/INVESTEES INVESTMENT

FI/NFP is required to please complete the following information for **each new Borrower/Investee Investment**

Prepared by:___________________________ Reporting Period:__________________

<table>
<thead>
<tr>
<th>COMPANY NAME:</th>
<th>Is the Borrower/Investee company guided by an E&amp;S Policy (may include Code of Conduct, Human Resource Management, Health &amp; safety) endorsed by the top management? <em>(if yes, please attach a copy)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☐ Yes ☐ No</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Does the Borrower/Investee company have formal procedures for E&amp;S Assessment and Monitoring? <em>(if yes, please attach a copy)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Yes ☐ No</td>
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</table>

<table>
<thead>
<tr>
<th>What E&amp;S due diligence has been undertaken? By whom?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Were any environmental studies commissioned <em>(e.g. ESIA, ESMP, Corrective Action Plan)</em>? <em>(if so, please briefly describe)</em></td>
</tr>
<tr>
<td>What were the main environmental and social issues associated with this project? How were they dealt with <em>(i.e. outcome of due diligence)</em>?</td>
</tr>
<tr>
<td>Are there any material non-compliances with the E&amp;S requirements detected? <em>(if yes, please provide details)</em></td>
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<tr>
<td>☐ Yes ☐ No</td>
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</tbody>
</table>

| Were there any gender or Indigenous Peoples issues associated with this project? How they were dealt with *(i.e. outcome of due diligence)*? |
| Are there any material non-compliances with the gender or Indigenous Peoples requirements detected? *(if yes, please provide details)* |
| ☐ Yes ☐ No |

---

27 This includes environment, health, safety, human, social and cultural issues
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the Borrower/Investee company in compliance with all applicable environmental, social, health and safety laws and regulations? (if no, please provide details)</td>
<td></td>
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<tr>
<td>Which measures have you as the FI/NFP taken to ensure that the Borrower/Investee company continues to meet all applicable laws and regulations?</td>
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<tr>
<td>Has the Borrower/Investee company been subject to any fines, penalties, stop notices etc. for non-compliance with environmental, health and safety regulations? (if yes, please provide details)</td>
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<tr>
<td>Was an E&amp;S Corrective Action Plan (or ESMP) developed for this investment?</td>
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<td>If yes, was it included in the legal agreement with the Borrower/Investee company?</td>
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<tr>
<td>Has there been compliance with the E&amp;S Corrective Action Plan (or ESMP)? (if no, please provide details)</td>
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<tr>
<td>Who is responsible for monitoring compliance with the E&amp;S Corrective Action Plan (or ESMP) developed for this investment? Provide details of monitoring arrangements.</td>
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<tr>
<td>Has any public consultation or disclosure of environmental/ social information occurred relating to this Borrower/Investee project during this period? (if yes, please provide details)</td>
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<td>Have there been any complaints or bad publicity in relation to this project? (if yes, please provide details)</td>
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</table>
**PART C (All FIs are required to complete Parts B and C of this form)**

FI/NFP is required to please complete the following information for all **ONGOING BORROWER/INVESTEES INVESTMENTS** from previous periods. Use as many rows as required.

Prepared by:_________________________  Reporting Period:______________

<table>
<thead>
<tr>
<th>Company/EA name</th>
<th>Project location</th>
<th>Business/EA activity</th>
<th>Investment type and amount</th>
<th>E&amp;S Category of project (A, B or C)</th>
<th>Any change in environmental status in this reporting period</th>
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