

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK



**REGIONAL
SUSTAINABLE ENERGY FACILITY FOR THE EASTERN CARIBBEAN EXPANDED
(SEF-EXPANDED)
(RG-L1112)**

**GREEN CLIMATE FUND (GCF) GRANT FOR THE SUSTAINABLE ENERGY
FACILITY FOR THE EASTERN CARIBBEAN EXPANDED (SEF-EXPANDED)
(RG-G1013)**

**REPUBLIC OF ITALY (REI) GRANT FOR THE SUSTAINABLE ENERGY FACILITY
FOR THE EASTERN CARIBBEAN EXPANDED (SEF-EXPANDED)
(RG-T3170)**

**ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT
(ESMR)
08/16/18**

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ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT (ESMR)	
Operation Name:	SUSTAINABLE ENERGY FACILITY FOR THE EASTERN CARIBBEAN EXPANDED (SEF-EXPANDED)
Operation Number:	RG-L1112/RG-G1013/RG-T3170
1. Operation Details	
IDB Sector	Energy
Type of Operation	Global Loan Program
Impact Categorization	B13 (FI-1)
Environmental and Social Risk Rating	High
Disaster Risk Rating	High
Borrower	Caribbean Development Bank (CDB)
Executing Agency	Multiple
IDB Loan US\$ (and total project cost)	60 million (RG-L1112); 16 million (RG-G1013), 4 million (RG-T3170) (total project cost 80 million)
Applicable Policies/Directives	OP-102; OP-703 (B.1, B.2, B.3, B.4, B.5, B.6, B.7, B.9; B.10, B.11, B.13); OP-704; OP-710, OP-761, OP-765
2. Executive Summary	
<p>Activities eligible for the grant facility component of the Program (RG-G103) include geothermal resource exploration, typically involving drilling and testing of new production and reinjection wells, construction and filling of cooling and sediment ponds, pumping and transport of water, installation of equipment, and potential new access roads and other ancillary facilities. Activities eligible for the loan finance component of the Program (RG-L1112) include geothermal electricity production, typically involving drilling and testing of additional production and reinjection wells, construction of power plant buildings and cooling towers, construction of liquid and steam separating facilities, construction of substations and transmission lines, construction and filling of additional cooling and sediment ponds, pumping and transport of additional water, installation of equipment, construction of new or expansion of existing access roads, and additional ancillary facilities such as easements and waste management facilities.</p> <p>The Program has been classified as FI-I (high risk), according to OP-703 (B.13), as due diligence confirmed that potential negative environmental and social impacts are significant, principally related to potential contamination of soil and surface and subsurface water by geothermal fluids and cuttings, increased demand on surface and subsurface water, fragmentation of natural and/or critical natural habitat including protected areas, and air emissions. Type 1 Disaster Risk has been classified as “High,” given the high exposure of subprojects to earthquakes, volcanic activity, landslides, and floods. Type 2 Disaster Risk includes the risk that project activities would exacerbate vulnerability to water contamination in the event of these natural disasters, as well as vulnerability to water shortages as a result of drought.</p> <p>CDB and IDB have agreed that leadership on environmental and social analysis at the project level will be driven by CDB in close collaboration with IDB. Given the high-risk nature of sub-projects financed, both institutions will ensure that the projects comply with the specifics of their respective and largely harmonized environmental and social policies. Under the framework of RG-L1071 approved previously, the CDB and IDB agreed to an Environmental and Social Management System (ESMS) (Table 3) which describes in detail the process in which CDB will obtain non-objection from</p>	

the IDB during preparation, analysis, and execution of all subprojects. This ESMS will continue to serve as the ESMS for the current Operation.

The Program was previously financed by RG-L1071, but no subprojects have yet commenced civil works; as a result, the facility is currently in compliance with IDB policies. For the current operation, implementation of the ESMS will assure compliance of the facility throughout the life of the loan.

3. Operation Description

The Sustainable Energy Facility (SEF) is a Global Loan Program that will benefit the Caribbean Development Bank in supporting the diversification of the energy matrix in the ECC) in an effort to reduce the cost of power generation and electricity tariffs by promoting the implementation of Energy Efficiency (EE) and Renewable Energy (RE) technologies to reduce the region's dependency on liquid fossil fuels. The renewable energy component of SEF, specifically the Geo-Smart Initiative will support the development of geothermal energy (GE) in the Eastern Caribbean (EC). SEF will contribute to the development of 60MW geothermal capacity in five Eastern Caribbean islands with geothermal potential: St. Vincent and the Grenadines, Grenada, Dominica, St. Kitts and Nevis, and St. Lucia. The actual size of each plant built will be based on each government's planned initiatives, the size of the geothermal resources, and the availability of additional grant resources and private funding for each individual plant. The program will finance activities in all stages, from pre-investment studies to power plant development. **Table 1** shows the current status and estimated cost to develop GE in EC, which is approximately US\$617 million, of which the IDB would finance US\$80 million.

Construction activities for geothermal exploration typically involve drilling and testing of new production and reinjection wells, construction and filling of cooling and sediment ponds, pumping and transport of water, installation of equipment, and potential new access roads and other ancillary facilities.

Construction activities for geothermal production typically involve drilling and testing of additional production and reinjection wells, construction of power plant buildings and cooling towers, construction of liquid and steam separating facilities, construction of substations and transmission lines, construction and filling of additional cooling and sediment ponds, pumping and transport of additional water, installation of equipment, construction of new or expansion of existing access roads, and additional ancillary facilities such as easements, waste management facilities, and worker camps.

No civil works have yet begun on any sub-project supported by the operation RG-L1071. **Table 2** shows the current results of geothermal development on the other islands eligible under the SEF.

On all the islands, the location of the geothermal field to be exploited is located near a volcano, and in some cases, is located inside or in the proximity of protected areas, potentially including critical natural habitat. Due diligence confirmed that in some cases, geothermal activity will be located on private property, and thus livelihood impacts are expected due to land acquisition; however, final site selection has yet to occur in most cases.

4. Key Impacts, Risks, and Mitigation Measures

Assessment Requirements

Based on Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), the Facility is classified as a Financial Intermediary. The Facility's target investments are six geothermal projects located respectively in Dominica, Grenada, St. Lucia, St. Kitts, Nevis, and St. Vincent and

the Grenadines. A number of these projects are located in or near critical natural habitats and would be classified as Category A or Category B operations under the IDB's environmental and social impact classification system (Annex 3). Based on the information presented, this Facility is categorized as high-risk (FI-1).

Environmental and social impact assessments are not required prior to approval of financial intermediary operations per IDB policies. The IDB supported the development of an Environmental and Social Impact Assessment (ESIA) for the exploration phase of the La Soufrière Geothermal Project currently under construction in St. Vincent and the Grenadines, financed by RG-L1071. This ESIA complies with IDB safeguards policies as well as with the IFC Performance Standards. A new ESIA would be required for the production stage of the La Soufrière Geothermal Project.

Environmental and social impact assessments are currently already prepared or are being prepared in the remainder of the islands (see Table 2). Terms of Reference for the Grenada ESIA, including additional support by the IDB in relation to Disaster Risk Assessment and Management, have received the IDB's non-objection.

CDB's current Environmental and Social Policies and Review Procedures (ESRP) were approved at the end of June 2015. Their procedures include a set of nine environmental and social performance standards (PS) that reflect the principles, core policies, standards and best practice approaches adopted and used in the treatment of sensitive environmental and social issues by the multilateral financial and development community. As a matter of practice, under this Facility, sub-projects will be reviewed against the IFC Performance Standards and World Bank Environmental, Health and Safety (EHS) Guidelines.

In order to assure compliance with OP-703 (B.3, B.4, and B.5), throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS, namely, CDB will obtain formal non-objection for the results of screening and classification of subprojects, and each executing agency will develop either an ESIA or ESA as warranted by subproject classification.

In addition, to mitigate Type 2 Disaster Risk and assure compliance with OP-703 (B.5) and OP-704 throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, (a) a Participatory Water Monitoring Plan and (b) a Hydrogeological Study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.

Consultation

In order to assure compliance with OP-703 (B.6), OP-704, OP-710, OP-761, and OP-765, throughout the life of the loan, the borrower will implement the procedures described in the ESMS, namely, for both Category A and Category B subprojects, executing agencies will hold public consultations on the scope of activities, risks, impacts, and mitigation plans detailed in the subproject ESIA or ESA, at a minimum of 30 days prior to the CDB board date. Content of public consultations will address risks, impacts, and mitigation plans associated with livelihood restoration, resettlement, indigenous peoples, gender equality, and/or disaster risk, as relevant to each subproject.

The results of public consultations, including a summary of presentations, a list of attendees, visual evidence of the consultations, a summary of concerns and questions raised, and the mechanisms by which the executing agency has responded to such questions and concerns, including when feasible by adopting responses into final mitigation plans, will be documented in a Consultations Report, either as part of the final ESIA or ESA, or as a stand-alone document.

Information Disclosure

In order to assure compliance with OP-703 (B.5) and OP-102, throughout the life of the loan, the borrower will implement the provisions for information disclosure described in the ESMS, namely, executing agencies will disclose ESIA's or ESAs prior to CDB's (and IDB where required) appraisal mission, in the following terms: (i) for Category A sub-projects, at a minimum of 120 days prior to the respective CDB board date, and (ii) for Category B sub-projects, at a minimum of 30 days prior to the CDB board date.

In addition, the borrower will disclose its own environmental and social documentation (summary of the environmental appraisal) with other Board papers at a minimum of 10 days prior to the CDB board date, and provide details of where the ESIA or ESA has been consulted. Final approval will take into consideration any material concerns raised during the above-mentioned disclosure period.

These disclosure requirements have been incorporated into the Operating Manual of the operation.

Environmental and Social Impacts and Risks and Mitigation Measures

Possible environmental and social impacts and risks during geothermal exploration include (i) potential contamination of soil and surface and subsurface water resources, including aquifers, nearby hot springs, natural thermal features, and rivers, by drilling mud (essentially a suspension of a natural clay material - bentonite - with some additives added), drilling mud with cuttings, or through the reinjection of the geothermal fluid (essentially a mixture of hot water and steam, at temperatures that can reach 290°C, with dissolved salts and gases); (ii) increased demand on surface and groundwater resources, including aquifers, nearby hot springs, natural thermal features, and rivers for drilling and testing wells and for the cooling system; (iii) potential fragmentation of critical natural habitat or natural habitat, including within or bordering protected areas, and potential border effects on flora and fauna; (iv) increased heavy traffic and potential traffic accidents in the vicinity of the project site; (v) noise, vibration, visual, dust, and light pollution; (vi) soil erosion and loss of vegetation; (vii) impacts related to worker influx; and (viii) livelihood impacts associated with land acquisition.

Possible environmental and social impacts and risks during geothermal energy production include (i) an increased level of micro-seismicity and land subsidence in the region leading to increased vulnerability of community and workers; (ii) potential contamination of soil and surface and subsurface water resources with drilling mud, cuttings, or geothermal fluids; (iii) increased demand on surface and groundwater resources, including aquifers, nearby hot springs, natural thermal features, and rivers for drilling and testing wells and for the cooling system; (iv) air emissions including hydrogen sulfide; (v) potential fragmentation of critical natural habitat or natural habitat, including within or bordering protected areas, and potential border effects on flora and fauna; (vi) soil erosion and loss of vegetation; (vii) increased exposure of community and workers to explosions, well blowouts and pipeline failures, and other health and occupational accidents; (viii) noise, vibration, visual, dust, and light pollution; and (ix) cumulative impacts, for example on tourism, protected areas, or water availability.

As a result of the potential for the above impacts and risks, OP-703 (B.9, B.10, and B.11), OP-704, OP-710, and OP-761 have been triggered for the operation. Although due diligence could not confirm the existence of indigenous people or traditional populations in the area of influence of proposed subprojects, OP-765 has been triggered since site and route selection of subprojects and associated facilities has not yet been finalized. Most of the above-mentioned impacts and risks can be adequately mitigated through the implementation of appropriate environmental, health and safety management plans and standard operating procedures (SOPs).

Due diligence confirmed that no transboundary impacts will occur in relation to subprojects, and that no subprojects are currently under construction. Thus, OP-703 (B.8 and B.12) have not been triggered.

The E&S team supports on all CDB operations (including TA, grant, and country study preparation), though dedicates most significant attention to the 10-12 projects approved annually where projects are brought in line with CDB's Environmental and Social Policies. Similar to IDB, CDB incorporates E&S covenants into contracts, monitors project E&S performance, and when necessary prepares Corrective Action Plans. The majority of projects financed have been Category B operations. There is limited experience with Category A operations. The capacity of the CDB to manage the impacts and risks of geothermal projects is nascent, but has improved through collaboration with the IDB during the execution of RG-L1071. Due diligence confirmed that while the CDB has progressed in the management of geothermal impacts and risks, further strengthening of capacity is warranted as the geothermal facility progresses, especially since no subproject has yet to commence civil works to date.

Environmental and social safeguard compliance of subprojects at the CDB is the responsibility of thirteen E&S and gender specialists. Specialists are assigned to a group of countries and are responsible for work on projects in those countries throughout all phases of the project cycle. Through partnerships with European Investment Bank, the World Bank, and Department for International Development, CDB recently expanded its work program specific to energy audits and climate vulnerability assessments. There is, however, a recognized capacity gap specific to geothermal E&S analysis, management, and supervision, which will be addressed under this Facility by the technical cooperation RG-T3170, through the provision of technical capacity support provided by an external consultant specific to the financial, regulatory, risk, and E&S aspects specific to geothermal projects.

In order to assure compliance with OP-703 (B.5, B.9, B.10, and B.11), throughout the life of the loan, the borrower will implement the procedures described in the ESMS, namely, assure that executing agencies will execute mitigation plans that have been developed in each ESIA or ESA as relevant to each subproject and triggered during subproject classification; and will obtain non-objection from the IDB on environmental and social requirements, legal covenants, and related material.

Noninvestment Lending and Flexible Lending Instruments

CDB and IDB have agreed that leadership on environmental and social analysis at the project level will be driven by CDB in close collaboration with IDB. Given the high-risk nature of sub-projects financed, both institutions will ensure that the projects comply with the specifics of their respective and largely harmonized environmental and social policies. Under the framework of RG-L1071, the CDB and IDB previously agreed to an Environmental and Social Management System (ESMS) (**Annex 2**) that describes in detail the process in which CDB will obtain non-objection from the IDB during preparation, analysis, and execution of all subprojects. This ESMS will continue to serve as the ESMS for the current Operation.

During due diligence, ongoing capacity and performance of the borrower to manage environmental and social impacts and risks of geothermal projects was evaluated, and it was determined that, since no subproject has yet to commence civil works, the existing ESMS and process for hand-in-hand environmental and social due diligence would not be revised for the current operation, except for changes to the information disclosure and consultation procedures outlined in the same, as detailed above. This ESMS will be incorporated into the Operating Manual. In order to assure compliance with OP-703 (B.13), throughout the life of the loan, the borrower will implement the ESMS, including the procedures for hand-in-hand due diligence for each subproject.

Livelihoods and Resettlement

Due diligence confirmed that the acquisition of the Right of Way for at least some geothermal subprojects and transmission lines associated with geothermal projects will require compensation and livelihood restoration of landowners. Since site and route selection have not been finalized, it is currently unknown if physical resettlement will be required for any subproject. As a result, OP-710 has been triggered for this operation.

In order to assure compliance with OP-710, throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS in order to assess the impacts associated with land acquisition, such as livelihood loss and/or physical displacement in relation to the proposed sub-projects, and will require executing agencies to develop plans for compensation and livelihood restoration and/or Resettlement Action Plans as necessary, as part of the ESIA or ESA and appraisal process for each subproject.

Indigenous Peoples

Due diligence was unable to confirm the existence of indigenous people or traditional populations in the areas of influence of subprojects and their associated facilities. Still, since site and route selection of subprojects and associated facilities has not yet been finalized, OP-765 has been triggered for this operation.

In order to assure compliance with OP-765, throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS in order to assess potential impacts to traditional or indigenous peoples may in relation to the proposed sub-projects, and will require executing agencies to develop indigenous peoples plans and/or implement Free, Prior, and Informed Consultation as necessary, as part of the ESIA or ESA and appraisal process for each subproject.

Gender Equality

Due diligence confirmed that subprojects and associated facilities are likely to cause gendered impacts such as unequal access to project benefits or compensation, associated with the acquisition of Right of Way for both geothermal projects and transmission lines. As a result, OP-761 has been triggered for this operation.

In order to assure compliance with OP-761, throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS in order to assess the potential for gendered impacts in relation to the proposed sub-projects, and will require executing agencies to incorporate gender equality to assessments and mitigation plans as necessary, as part of the ESIA or ESA and appraisal process for each subproject.

Disaster Risk Management

Due diligence confirmed that Type 1 Disaster Risk is “High,” due to the high exposure of subprojects to natural hazard events such as earthquakes, volcanic activity, landslides, and floods. Due diligence also confirmed that Type 2 Disaster Risk includes the potential that project activities would exacerbate vulnerability to water contamination in the event of these natural disasters, as well as vulnerability to water shortages as a result of drought.

In order to mitigate Type 1 Disaster Risk and assure compliance with OP-704, throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject

ESIA or ESA, an Integrated Disaster Risk Management Plan and Emergency Response Plan that define procedures to execute in the case of a natural disaster.

To mitigate Type 2 Disaster Risk and assure compliance with OP-703 (B.5) and OP-704 throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, (a) a Participatory Water Monitoring Plan and (b) a Hydrogeological Study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.

If these mitigation plans are properly executed, the sub-projects to be financed would present a reduced probability of increasing vulnerability to natural disasters.

Supervision

Supervision of the execution of subprojects and associated facilities will be led by the borrower with support from the IDB, as described in the ESMS for the operation. As a result, OP-703 (B.7) has been triggered for this operation.

Specifically, the borrower will prepare Terms of Reference (TOR) for supervision and environmental and social audit of an executing agency's management of environmental and social (E&S) issues; will conduct supervision of E&S management on an annual or bi-annual basis depending on the severity of risk and impacts; when necessary, and on the recommendation of an external consultant, the borrower may require the sponsor to adopt a Corrective Action Plan (CAP) where particular risks become present.

The IDB will review the TOR for supervision, and E&S audit, and will provide comments as required. The IDB will participate as necessary in supervision missions. Copies of all supervision reports will be provided to IDB. In the case of a CAP, the IDB will review and approve the defined CAP.

In order to assure compliance with OP-703 (B.5, B.7), OP-704, OP-710, OP-761, and OP-765, throughout the life of the loan, the borrower will implement the procedures for supervision detailed in the process for hand-in-hand due diligence described in the ESMS.

5. Environmental and Social Requirements

In order to meet the requirements of the Bank's Environmental and Social Safeguard Policies, the Borrower will comply to the satisfaction of the Bank with the ESHS contractual terms and conditions set forth in Annex B. These terms and conditions can only be modified with the prior written consent of the Bank, including clearance by ESG. These include (i) conditions prior (CPs) to Board and/or OPC; (ii) standard conditions for implementation of the ESHS Plans and measures as well as reporting and supervision requirements; (iii) conditions that address key risks and impacts; (iv) conditions to be included in the Operating Manual; (v) definitions. These conditions and definitions will be incorporated into the Loan Agreement and as such the Borrower is legally bound to comply with these conditions.

I. Conditions to be included in the Loan Agreement. As further set forth in Annex B hereto, the Loan Agreement will include (i) standard and specific ESHS conditions and requirements for the life of the loan (including implementation of the ESHS Plans and measures, reporting and supervision requirements, and (ii) given the nature of the ESHS impacts and risks, this Project will also require the following: throughout the life of the loan: the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, (a) an Integrated Disaster Risk

Management Plan and Emergency Response Plan that define procedures to execute in the case of a natural disaster; (b) a Participatory Water Monitoring Plan; and (c) a Hydrogeological Study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.

II. **Annex B.** Annex B attached hereto sets forth the ESHS conditions, plans and requirements to be contractually required in the Loan Agreement. See Annex B.

III. **Conditions to be included in the Operating Manual (OM).** All of the ESHS conditions and plans will be integrated and operationalized through the OM. See Annex B for more detail of the ESHS requirements to be included in the OM.

6. Summary of Compliance with IDB Safeguard Policies

See below.

Annex A. Summary of Compliance with IDB Safeguard Policies¹

Policies / Directives	Applicable Policy / Directive Aspect	Compliance Status and Rationale with Policy / Directive Requirements	Requirements / Actions / Plans
OP-703 Environment and Safeguards Compliance Policy			
B.2 Country Laws and Regulations	Obtain local and environmental licenses and permits	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Environmental licenses and permits are required for all subprojects.	In order to assure compliance with OP-703 (B.2) throughout the life of the loan, the borrower will assure that executing agencies obtain local environmental licenses and permits for all subprojects.
B.3 Screening and Classification	Environmental and social categorization and high-risk categorization	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. The environmental and social risk of subprojects may vary; thus, a procedure for screening and classification has been incorporated into the ESMS for the operation.	In order to assure compliance with OP-703 (B.3, B.4, and B.5), throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS, namely, CDB will obtain formal non-objection for the results of screening and classification of subprojects, and each executing agency will develop either an ESIA or ESA as warranted by subproject classification.
B.4 Other Risk Factors	Borrower capacity	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Borrower capacity to manage the environmental and social risks and impacts of geothermal subprojects should continue to be strengthened, especially as no geothermal subproject has yet to commence civil works.	In order to assure compliance with OP-703 (B.3, B.4, and B.5), throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS, namely, CDB will obtain formal non-objection for the results of screening and classification of subprojects, and each executing agency will develop either an ESIA or ESA as warranted by subproject classification.

¹ Please note that ESG is working on preparing a compliance checklist.

B.5 Environmental Assessment and Plans Requirements	Assessment of environmental impacts and risks, and mitigation action plans and strategy	<p>Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. All subprojects require environmental and social impact assessments (ESIA) or environmental and social analysis (ESA) according to their final risk categorization.</p>	<p>In order to assure compliance with OP-703 (B.3, B.4, and B.5), throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS, namely, CDB will obtain formal non-objection for the results of screening and classification of subprojects, and each executing agency will develop either an ESIA or ESA as warranted by subproject classification.</p> <p>In addition, to mitigate Type 2 Disaster Risk and assure compliance with OP-703 (B.5) and OP-704 throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, (a) a Participatory Water Monitoring Plan and (b) a Hydrogeological Study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.</p>
B.5 Social Assessment and Plans Requirements	Assessment of social impacts and risks, and mitigation action plans and strategy	<p>Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. All subprojects require environmental and social impact assessments (ESIA) or environmental and social analysis (ESA) according to their final risk categorization.</p>	<p>In order to assure compliance with OP-703 (B.3, B.4, and B.5), throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS, namely, CDB will obtain formal non-objection for the results of screening and classification of subprojects, and each executing agency will develop either an ESIA or</p>

			<p>ESA as warranted by subproject classification.</p> <p>In addition, to mitigate Type 2 Disaster Risk and assure compliance with OP-703 (B.5) and OP-704 throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, (a) a Participatory Water Monitoring Plan and (b) a Hydrogeological Study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.</p>
B.6 Consultation (including consultation with affected women, indigenous persons, and/or minority groups)	Prior consultation with project-affected communities regarding impacts, risks, and mitigation strategy	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Subprojects and their associated facilities are expected to cause livelihood impacts, among others, that require the participation of affected people and project stakeholders and consultation of ESIA or ESAs.	In order to assure compliance with OP-703 (B.6), OP-704, OP-710, OP-761, and OP-765, throughout the life of the loan, the borrower will implement the procedures described in the ESMS, namely, for both Category A and Category B subprojects, executing agencies will hold public consultations on the scope of activities, risks, impacts, and mitigation plans detailed in the subproject ESIA or ESA, at a minimum of 30 days prior to the CDB board date.
B.7 Supervision and Compliance	Program and sub-project supervision and monitoring.	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. The borrower will lead supervision of subprojects with the support of the IDB.	In order to assure compliance with OP-703 (B.5, B.7), OP-704, OP-710, OP-761, and OP-765, throughout the life of the loan, the borrower will implement procedures for supervision detailed in the process for hand-in-hand due diligence described in the ESMS.

B.8 Transboundary Impacts	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
B.9 Natural Habitats	Natural habitat and critical natural habitat	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Subprojects may cause fragmentation of critical natural habitat or natural habitat, including within or bordering protected areas, and border effects on flora and fauna; soil erosion and loss of vegetation; and potential contamination of surface and subsurface water resources.	In order to assure compliance with OP-703 (B.5, B.9, B.10, and B.11), throughout the life of the loan, the borrower will implement the procedures described in the ESMS, namely, assure that executing agencies will execute mitigation plans that have been developed in each ESIA or ESA as relevant to each subproject and triggered during subproject classification; and will obtain non-objection from the IDB on environmental and social requirements, legal covenants, and related material.
B.9 Invasive Species	Use of invasive species for reforestation of suppressed vegetation	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. There is a risk that invasive species may be used for habitat restoration or reforestation programs associated with subproject impacts to natural or critical natural habitats.	
B.9 Cultural Sites	Demarcated and declared indigenous lands, cultural heritage.	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. There is a risk that subprojects may cause impacts to cultural sites and heritage.	
B.10 Hazardous Materials	Avoid impacts associated with production,	Compliance achievable through specific conditions established in legal documentation for actions over a	

	acquisition, use, and final disposal of hazardous materials	defined period of time. There is a risk of contamination of surface and subsurface water resources from hazardous materials associated with subprojects, including geothermal fluids.	
B.11 Pollution Prevention & Abatement	Reduce or eliminate emissions, including gaseous, liquid, and solid waste	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Subprojects will generate noise, vibration, visual, dust, and light pollution, as well as air emissions including hydrogen sulfide.	
B.12 Projects under Construction	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
B.13 Noninvestment Lending and Flexible Lending Instruments	Implement an appropriate and feasible Environmental Management System (EMS) tailored to the particular needs of the operation.	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. An ESMS for the subprojects was previously established under the context of the Sustainable Energy Facility (SEF)(RG-L1071), and will be used for the present operation as well.	In order to assure compliance with OP-703 (B.13), throughout the life of the loan, the borrower will implement the ESMS, including the procedures for hand-in-hand due diligence for each subproject.
B.14 Multiple Phase and Repeat Loans	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
B.15 Co-financing Operations	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
B.16 In-Country Systems	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).

B.17 Procurement	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
OP-704 Natural Disaster Risk Management Policy			
A.2 Analysis and management of Type 2 ² risk scenario	Assess and mitigate Type 2 Disaster Risk	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Type 2 Disaster risk includes the potential that project activities would exacerbate vulnerability to water contamination in the event of earthquakes, volcanic activity, landslides, and floods, as well as vulnerability to water shortages as a result of drought.	To mitigate Type 2 Disaster Risk and assure compliance with OP-703 (B.5) and OP-704 throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, (a) a Participatory Water Monitoring Plan and (b) a Hydrogeological Study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.
A.2 Contingency planning (Emergency response plan, Community health and safety plan, Occupational health and safety plan)	Assess emergency preparedness	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Type 1 Disaster Risk has been classified as “High,” due to the high exposure of subprojects to earthquakes, volcanic activity, landslides, and floods.	In order to mitigate Type 1 Disaster Risk and assure compliance with OP-704, throughout the life of the loan, the borrower will assure that each executing agency develops, as part of the subproject ESIA or ESA, an Integrated Disaster Risk Management Plan and Emergency Response Plan that define procedures to execute in the case of a natural disaster.
OP-710 Operational Policy on Involuntary Resettlement			
Resettlement Minimization	Avoid or reduce resettlement to the maximum extent possible	Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. The acquisition of	In order to assure compliance with OP-710, throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in

² Type 2 risk scenario occurs when the operation has a potential to exacerbate hazard risk to human life, property, the environment and the project itself.

Resettlement Plan Consultations	Consultation, availability of information, transparency, and participation of resettled populations in action plan	the Right of Way for at least some geothermal subprojects, and transmission lines associated with geothermal projects, will require compensation and livelihood restoration of landowners. Since site and route selection have not been finalized, it is currently unknown if physical resettlement will be required for any subproject	the ESMS in order to assess the impacts associated with land acquisition, such as livelihood loss and/or physical displacement in relation to the proposed sub-projects, and will require executing agencies to develop plans for compensation and livelihood restoration and/or Resettlement Action Plans as necessary, as part of the ESIA or ESA and appraisal process for each subproject.
Impoverishment Risk Analysis	Avoid impoverishment through resettlement to the greatest extent possible		
Resettlement Plan and/or Resettlement Framework Requirement	Resettlement Plan or Resettlement Framework (Prior to Analysis Mission/Board Approval		
Livelihood Restoration Program Requirement	Restore livelihoods of resettled populations to equal or better conditions		
Consent (Indigenous Peoples and other Rural Ethnic Minorities)	Obtain Free, Prior, and Informed Consent from Indigenous Peoples that are involuntarily resettled or economically displaced		
OP-765 Operational Policy on Indigenous Peoples			
Sociocultural Evaluation Requirement	Identify potential affected indigenous peoples, lands, and	Compliance achievable through specific conditions established in legal documentation for actions over	In order to assure compliance with OP-765, throughout the life of the loan, the borrower will implement the process for

	resources and assess potential risks and impacts	a defined period of time. Due diligence was unable to confirm the existence of indigenous people or traditional populations in the areas of influence of subprojects and their associated facilities. Still, since site and route selection of subprojects and associated facilities has not yet been finalized, OP-765 has been triggered for this operation.	hand-in-hand due diligence described in the ESMS in order to assess potential impacts to traditional or indigenous peoples may in relation to the proposed sub-projects, and will require executing agencies to develop indigenous peoples plans and/or implement Free, Prior, and Informed Consultation as necessary, as part of the ESIA or ESA and appraisal process for each subproject.
Good-faith Negotiations and proper documentation			
Agreement with Affected Indigenous Peoples			
Indigenous Peoples Compensation, and Development Plan or Framework requirement	Indigenous Peoples Protection, Compensation, and Development Plan or Framework prior to Board Approval		
Discrimination Issues			
Transborder Impacts	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
Impacts on Isolated Indigenous Peoples	Not applicable (policy not relevant).	Not applicable (policy not relevant).	Not applicable (policy not relevant).
OP-761 Operational Policy on Gender Equality in Development			
Consultation and effective participation of women and men		Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Due diligence confirmed that subprojects and associated facilities are likely to cause gendered impacts such as unequal access to project benefits or compensation, associated with the acquisition of Right of Way for both geothermal projects and transmission lines. As a result, OP-761 has been triggered for this operation.	In order to assure compliance with OP-761, throughout the life of the loan, the borrower will implement the process for hand-in-hand due diligence described in the ESMS in order to assess the potential for gendered impacts in relation to the proposed sub-projects, and will require executing agencies to incorporate gender equality to assessments and mitigation plans as necessary, as part of the ESIA or ESA and appraisal process for each subproject
Application of safeguard and risk analysis			
OP-102 Access to Information Policy			

Disclosure of relevant Environmental and Social Assessments Prior to Analysis Mission, QRR, OPC and submission of the operation for Board consideration	Disclosure of Environmental and Social Assessments Prior to Analysis Mission	<p>Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. For B-13 operations, disclosure of relevant ESIA's or ESAs is not required prior to the Analysis Mission, QRR, or submission of the operation for Board consideration at the IDB. However, procedures for information disclosure during the life of the loan have been included in the ESMS to assure that ESIA's, ESAs, ESMPs, RPs, IPPs, and any other relevant material will be disclosed by the borrower prior to submission of each subproject for Board consideration at the borrowing institution.</p>	<p>In order to assure compliance with OP-703 (B.5) and OP-102, throughout the life of the loan, the borrower will implement the provisions for information disclosure described in the ESMS, namely, executing agencies will disclose ESIA's or ESAs prior to CDB's (and IDB where required) appraisal mission, in the following terms: (i) for Category A sub-projects, at a minimum of 120 days prior to the respective CDB board date, and (ii) for Category B sub-projects, at a minimum of 30 days prior to the CDB board date.</p> <p>In addition, the borrower will disclose its own environmental and social documentation (summary of the environmental appraisal) with other Board papers at a minimum of 10 days prior to the CDB board date, and provide details of where the ESIA or ESA has been consulted.</p>
Provisions for Disclosure of Environmental and Social Documents during Project Implementation	Disclosure of Final ESMP/ESMF, RP/RF, IPP/IPF before Board Approval		

Annex B. ESHS Legal Requirements

A. ESHS Conditions of the Loan Agreement.

The following ESHS conditions are required to be fulfilled to the satisfaction of the Bank and will be included in the Loan Agreement in order to comply with the Bank's ESHS Safeguard Policies.

1. Special Conditions of Execution

(a) The Borrower agrees to design, build, operate, maintain, and monitor the Project and manage the ESHS risks of the Project's Associated Facilities directly or through the Executing Agency or through every other contractor, operator or any other person performing Project related activities in accordance with the environmental, social, occupational health provisions provided for in the Operating Manual/Credit Regulations, the respective Environmental and Social Impact Assessment or Environmental and Social Analysis of each subproject, the Environmental and Social Management Plan of each subproject, the Involuntary Resettlement Plan of each subproject in the case one is required, and other environmental, social and occupational health plans and requirements as needed, including those of a Corrective Action Plan if required.

Justification: The condition above is required to assure compliance with IDB safeguards during project preparation and execution.

(b) Prior to the first disbursement of each sub-project, the Borrower/beneficiary shall submit evidence to the Bank that the Sub-borrowers developed, as part of the Sub-project Environmental and Social Impact Assessment (ESIA) or Environmental and Social Assessment (ESA): (i) an integrated disaster risk management plan and emergency response plan that define procedures to execute in the case of a natural disaster; (ii) a participatory water monitoring plan; and (iii) a hydrogeological study that identifies a technically feasible source of water, whose use in geothermal development would not negatively affect water availability for human consumption and ecosystem services.

Justification: This condition is required to mitigate the risk that each subproject may increase vulnerability of human populations to natural disasters during project execution.

2. Monitoring, Reporting and Supervision.

a) For the purposes of monitoring supervision of ESHS compliance, the following requirements shall apply:

- ii The Borrower shall prepare and present to the Bank's satisfaction, an ESHS Compliance Report (ESCR), in the form and content agreed upon with the Bank, as part of the annual progress report.
- iii The Borrower shall fully cooperate with the Bank, or an ESHS Consultant on its behalf, to carry out Project supervision and prepare supervision reports in order to (i) verify compliance of the implementation of the ESHS requirements for the Project and the Associated Facilities and (ii) address any ESHS impact or liability which has not been adequately mitigated or compensated; to this end, the Borrower shall allow and collaborate with the Bank and any ESHS Consultant acting on its behalf, including requiring and facilitating access to Sub-Project documentation and sites.

Justification: These conditions are required in order to assure compliance with Directive B.7 (Supervision) of the Environment and Safeguards Compliance Policy (OP-703) and section V.7 (Monitoring and Evaluation) of the Policy for Involuntary Resettlement (OP-710).

B. ESHS Conditions of the Operating Manual/Credit Regulations (OM-CR).

The following ESHS conditions are required to be fulfilled to the satisfaction of the Bank and will be included in the Operating Manual/Credit Regulations in order to comply with the Bank's ESHS Safeguard Policies.

a) With respect to the design, construction, operation, maintenance and monitoring of each Project, Project activity and Sub-Project/Sub-Loan and management of the ESHS risks of any Sub-Project's Associated Facilities, the Borrower agrees to comply with and ensure that each sub-Borrower and other responsible executing agency/entity/sub-contractor performing Project related activities complies with: (i) the Bank's ESHS

Safeguard Policies, as well as their respective implementation guidelines, including: the Access to Information Policy (OP-102), the Environment and Safeguards Compliance Policy (OP-703), and the following, as applicable, The Disaster Risk Management Policy (OP-704); The Involuntary Resettlement Policy (OP-710); The Policy on Gender Equality in Development (OP-761); and the Operational Policy on Indigenous Peoples (OP-765), (ii) the ESHS requirements established by the current national legislation in each country where subprojects are executed; (iii) the ESHS requirements established by the relevant ESMR, ESA or ESIA, and all updates agreed to by the Bank; (iv) any specific ESHS plans, including Corrective Action Plans (CAPs); and (v) the IFC Performance Standards and World Bank Environmental, Social, Health and Safety (ESHS) Guidelines (hereinafter, the “environmental and social requirements” or “ESHS requirements”).

b) The Borrower must assure that each Executing Agency: (i) implements participation processes with the interested parties in the works foreseen in the Program to guarantee that the affected communities are informed and consulted about the progress of the work and the socio-environmental management of the Program, and have access to conflict resolution mechanisms; and (ii) discloses any evaluation and socio-environmental management plan related to the works.

c) Any substantive changes to the ESHS provisions, ESHS Plans or OM-CR referred to herein shall be in writing and approved by the Bank in a manner consistent with the Bank's environmental and social safeguards policies.

(d) The Borrower shall not engage in any of the following activities with respect to the Project or subprojects: activities that cause significant, irreversible impacts on critical natural habitat and/or critical cultural sites.

e) With respect to the Sub-Project and Sub-Project Associated Facilities, the Borrower shall notify the Bank in writing within ten (10) days of any (1) potential or actual material noncompliance with the environmental and social requirements; (2) accidents, incidents or other significant related to ESHS aspects; (3) significant actual or imminent social conflicts; (4) ESHS regulatory action; or (5) any new E&S risks and impacts, that may affect the environmental and social aspects of the Sub-Project and of its Associated Facilities; in each case such notice shall include actions taken or proposed with respect to such events.

Justification: Se requieren estas condiciones a fin de asegurar que el Programa se ejecute en cumplimiento con las políticas de salvaguardias ambientales y sociales del Banco.

Additional Annexes

Table 1. Current Status and estimated cost to develop 10MW GE by stage (US\$ millions)

Country/ Island	Stage									NA	Total Cost \$MM
	Pre-Investment			Exploration		Field Development				Cost T&D \$MM	
	Studies	Slim hole/ wells (#)	Cost \$MM	Full sized wells (#)	Cost \$MM	Producti on /re- injection wells	Cost \$MM	Cost steam gatherin g \$MM	Cost Power Plant \$MM		
DOM	done	done	done	done	done	done	7	15	30	15	67
SVG	done	skip ³	0	2	14	3	21	15	30	16.3	96.3
GRE	done	2	6	2	14	3	21	15	30	16.3	102.3
SL	done	2	6	2	14	6	42	25	56	16.3	159.3
Nevis	done	2	done	2	14	3	21	15	30	12.1	92.1
St. Kitts	done	2	4	2	14	3	21	15	30	16.3	100.3
Total		8	16	10	70	18	133	100	206	92.3	617.3

Table 2. Results obtained to date by the SEF Program

Country/ Island	Location	Temperature	Slim-holes drilled	Plant size	PPA	ESIA	Private Partner
GRE	Northern Grenada	200°C - 290°C	None; 3 planned	15MW	No	In progress (slim-hole)	Not selected yet
SVG	Mount Soufriere	>230°C	Skipped	10MW	Currently in negotiations (expected to conclude end of 2017)	Done (slim- hole)	Consortium comprising Reykjavik Geothermal (RG), and Emera Caribbean Inc. (ECI)
Nevis	Hamilton Estate	250° – 260°C	3	9MW	Signed	Done (slim- hole)	Nevis Renewable Energy International
St. Kitts	SW flank of Mt Liamuiga	>200°C,	None	Resource for 27MW or 18MWe (50% and 90% probability respectively)	No	In procurement (slim-hole)	Teranov

³ From 2013 to 2014 private developers in SVG conducted significant surface exploration activities that support the argument that the Soufriere volcano hosts a >200 °C geothermal reservoir. Slimholes are therefore not deemed necessary.

SL	Belle Plaine – Saltibus & Fond St Jacques	~240°C	None; 4 planned	25 – 30MW	Negotiations have commenced	In progress (slim-hole)	ORMAT
DOM	Roseau Valley	242°C	3 in 2013 & 2 full size wells	7MW	Currently in negotiations (expected to conclude end of 2017)	Done (slim- hole and full- size)	None – Support from Govt of New Zealand

Table 3. CDB-IDB Environmental and Social Management System for the Program

1. Project Identification/ Screening	<ul style="list-style-type: none"> • Presentation to IDB by CDB of basic project eligibility material • Project management planning between ESG project teams (IDB and CDB)
2. Project Preparation /Assessment (Pre-Investment Activities)	<ul style="list-style-type: none"> • Provision of initial environmental, social and health and safety information for assessment and classification • Identification of key risks, and provisional Safeguard gaps • Engagement of external consultant to lead/support the preparation of ESIA material, and other E&S documentation • CDB/IDB pre-due diligence (as necessary) • Preparation and disclosure of E&S appraisal documentation
3. Due Diligence (Exploration and Production Activities)	<ul style="list-style-type: none"> • Completion of document preparation • CDB/IDB formal due diligence of risks, impacts, and mitigation measures, and identification of Safeguard gaps • Development of project specific Environmental and Social Management Plans • Disclosure of ESIA • Public consultation of ESIA • Preparation and disclosure of environmental and social risk and requirement report
4. Approval / Contract Negotiation	<ul style="list-style-type: none"> • Incorporation of all necessary environmental and social covenant material pertaining to CDB/IDB Safeguard requirements
5. Supervision and Monitoring	<ul style="list-style-type: none"> • Joint periodic supervision of project per requirements and management plans
6. Reporting	<ul style="list-style-type: none"> • Review of regular Sponsor reports on project operation

- 1.1 IDB and CDB have agreed that for all Geothermal high risk sub-projects (Category A and B+), IDB will undertake due diligence alongside CDB's team throughout the project preparation, appraisal, and monitoring phases.⁴ The objective of this hand-in-hand due diligence is to help build E&S capacity in CDB's analysis of high risk geothermal projects, and ensure that project impacts are adequately mitigated according to the IFC Performance Standards and WB EHS Guidelines. The process steps defined below will be incorporated into the Operating Manual for this Facility developed between IDB and CDB, and are designed to correspond with CDB's existing credit and approval process stages. Recognizing that funds from CDB, and by extension IDB, can be used at either grant (feasibility study, slim hole) or loan stages (exploration, production, plant construction and operation), the process steps are customized accordingly.
- 1.2 For the Grant approval project cycle (applying exclusively for geothermal sub-projects) for 3G or slim hole drilling, the corresponding E&S procedures are:

CDB Grant Approval Cycle	CDB E&S Role	IDB E&S Role
1. Grant application received (may or may not include E&S analysis)	<ul style="list-style-type: none"> CDB reviews E&S analysis, if any, presented by project sponsor/developer CDB determines validity / eligibility of grant application. If advancing, provides IDB with corresponding E&S documentation, and pre-classification 	<ul style="list-style-type: none"> IDB receives application and corresponding E&S analysis, if any.
2. CDB defines/reviews Terms of Reference (TOR) for pre-investment activities eligible for grant funding (3G analysis, E&S analysis, infrastructural assessment, slim hole drilling)	<ul style="list-style-type: none"> CDB prepares TOR for E&S Scoping Analysis as either a component of wider TOR or a separate document Sends TOR to IDB for review and comment 	<ul style="list-style-type: none"> IDB reviews and inputs into prepared E&S TOR scope, and coordinates comments with IDB review of wider TOR <p><u>Formal Sign-off</u></p> <ul style="list-style-type: none"> IDB returns TOR with comments within five working days.
3. Grant Awarded	<ul style="list-style-type: none"> CDB informs IDB of selected consultant, and liaises with consultant in execution of the work. CDB engages IDB on an as needed basis for advice/offer of opinion. CDB visits site on an as-needed basis to evaluate progress and specific impacts CDB confirms environmental pre-classification and sends 	<ul style="list-style-type: none"> IDB informed of any particular E&S risk concerns (in event of project visit). IDB provides comment, if any, on near-final draft of Scoping Analysis.

⁴ Category A projects in sectors that are not in geothermal or associated with a geothermal project will come to IDB only for non-objection.

	near-final draft of Scoping Analysis to IDB.	
4. Completion of Analysis/Pre-Investment Activity	<ul style="list-style-type: none"> • CDB receives final report / analysis and sends to IDB. • On basis of successful analysis, CDB informs IDB of possible second phase (loan). 	<ul style="list-style-type: none"> • IDB reviews final products and reports.

- 1.3 For the Loan approval project cycle (applying to all Category A and B+ geothermal sub-projects), the project proponent may be undertaking exploratory drilling, developing production and reinjection wells, constructing power plants, sub-stations, or transmission lines. As the investment activities are more significant in scope with the potential for greater E&S impacts additional process stages apply. As such, the corresponding E&S procedures are:

CDB Loan Approval Cycle	CDB E&S Role	IDB E&S Role
1. Preparation of CDB Concept Note	<ul style="list-style-type: none"> • CDB makes pre-classification and proposes E&S strategy for due diligence 	<p><u>Formal Sign-Off</u></p> <ul style="list-style-type: none"> • IDB provides input into strategy and clearance on pre-classification.
2. Project preparation and definition of Terms of Reference (TOR) second stage investment (exploratory drilling, development of production/reinjection wells, plant construction, etc.)	<p><u>Scenario 1: ESIA prepared</u></p> <ul style="list-style-type: none"> • Where ESIA is available, CDB conducts analysis of the adequacy of the documentation, identifies gaps with regard to IFC PS and WB EHS Guidelines, and proposes plan to IDB for additional analysis/ engagement of consultants/ etc. so that gaps are addressed and sends draft TOR if applicable. • CDB initiates coordination with IDB for project due diligence during Appraisal <p><u>Scenario 2: ESIA not prepared</u></p> <ul style="list-style-type: none"> • CDB prepares a comprehensive TOR to define scope of ESIA, and sends to IDB for review/comment/approval. • Project Appraisal stage for E&S is on hold until ESIA is prepared and is made publicly available. 	<p><u>Scenario 1: ESIA prepared</u></p> <ul style="list-style-type: none"> • IDB reviews ESIA, gaps identified, and TOR prepared. Coordinates comments with wider IDB preparation of TOR. • IDB coordinates with CDB on project due diligence. <p><u>Scenario 2: ESIA not prepared</u></p> <ul style="list-style-type: none"> • IDB reviews TOR prepared and provides comments, coordinating with wider IDB preparation of TOR.
3. Appraisal	<ul style="list-style-type: none"> • CDB and IDB conduct formal due diligence of risks, impacts, and mitigation measures. • CDB liaises with consultants in finalizing the Environmental and Social Appraisal document, Environmental and Social Management Plans, and any 	<ul style="list-style-type: none"> • IDB participates in formal due diligence on E&S issues. • IDB confirms categorization, reviews Environmental and Social Appraisal and approves management and action plans

	<p>necessary Action Plans. CDB sends final documentation, including final environmental categorization to IDB for review and approval.</p> <ul style="list-style-type: none"> On IDB's review and reply of documentation, CDB initiates negotiations with proponent for inclusion in Loan Documentation. CDB ensures ESIA is publicly disclosed and available in the respective Country at a minimum 120 days prior for Category A sub-projects and 30 days prior for Category B subprojects, and is publicly consulted 30 days prior, to the Project being considered for approval by CDB's Board. 	<ul style="list-style-type: none"> IDB is kept abreast of negotiations.
4. Approval	<ul style="list-style-type: none"> CDB prepares Loan Documentation with inclusion of all agreed E&S requirements. A summary of the Environmental and Social Appraisal is simultaneously disclosed on CDB's project webpage and to CDB's Board at a minimum 10 days prior to Board's meeting. 	<p><u>Formal Sign-off</u></p> <ul style="list-style-type: none"> IDB provides non-objection on E&S requirements, E&S legal covenants, and related material as necessary. IDB coordinates E&S sign-off with wider IDB non-objection.
5. Funding agreements, and legal E&S covenants	<ul style="list-style-type: none"> CDB incorporates necessary E&S covenants per agreed management plans/action plans into loan agreement. 	
6. Supervision	<ul style="list-style-type: none"> CDB prepares TOR for supervision and E&S audit of sponsor's management of E&S issues. CDB conducts supervision of E&S management on an annual or bi-annual basis depending on severity of risk and impacts. Supervision costs for consultant are paid for by CDB's project budget. When necessary, and on the recommendation of external consultant, CDB may require the sponsor to adopt a Corrective Action Plan (CAP) where particular risks become present. 	<ul style="list-style-type: none"> IDB reviews TOR for supervision, and E&S audit, and provides comments if required. IDB participates as necessary in subsequent supervision missions. Copies of Supervision reports provided to IDB. In case of a CAP, IDB will review and approve the defined CAP.

1.4 As part of the sub-project pre-classification and classification process described above, the below table provides general and indicative parameters to ensure the accurate categorization of sub-projects. Both CDB and IDB recognize that final categorization will depend on the sub-projects' specific impacts. For other non-geothermal Category A projects, which are unlikely under this Facility, IDB and CDB will agree on a case by case basis a due diligence process,

but which will include at a minimum a two stage non-objection process at the concept and appraisal stages. This table below will be also incorporated in the Operating Manual.

Category	Project examples and general parameters
Category A	Geothermal exploratory drilling, production and reinjection drilling, power plant construction, and construction of pipelines New transmission lines in areas of high conservation value linked to geothermal projects Wind farms greater than 50 MW in capacity Projects with high social impacts, in indigenous communities, involving significant resettlement, or in areas of conservation value linked to geothermal projects
Category B+	Small-scale geothermal (less than 7MW) on existing degraded sites with no social/natural habitat impacts Early stage geothermal slim hole drilling New transmission lines linked to geothermal projects Wind farms between 20-50MW in capacity, or with natural habitat impacts Solar projects greater than 50 MW, or with natural habitat impacts
Category B	Solar projects below 50 MW with no natural habitat impacts Energy efficiency projects with management of hazardous wastes
Category C	Energy efficiency projects with no management of hazardous wastes