

**CONSULTANCY SERVICES FOR THE EVALUATION OF THE CBD'S ENVIRONMENTAL
AND SOCIAL REVIEW PROCEDURES**

TERMS OF REFERENCE

1. INTRODUCTION

- 1.01. The Office of Independent Evaluation (OIE) Five-Year Plan includes sector, thematic, policy and corporate process evaluations to inform Board and Management decision-making.¹
- 1.02. This evaluation of the 2014 CDB's Environmental and Social Review Procedures (ESRP) aims to provide credible and reliable information on CDB's ESRP performance during the 2014-22 period to enable lessons and recommendations to be drawn that may be used to inform a revised iteration of the Procedures and more generally to improve the development effectiveness of the Bank's strategies and programmes.
- 1.03. The objective of the consultancy is to assess experience with CDB's ESRP since 2014, examine evolving practice in this area at other MDB's, and draw lessons and recommendations to inform renewal of the ESRP.

2. CONTEXT AND BACKGROUND

- 2.01. The Environmental and Social Review Procedures (ESRP) build on the experience gained in the application of Caribbean Development Bank's (CDB) Environmental Review Guidelines (1994) and the Guidelines for the Social Analysis of Projects (2004) that were the primary guidance documents for assessing the environmental and social dimension of its operations. The 2014 revised ESRP reflects shifts in thinking and approaches by the development community in addressing issues of environmental and social sustainability and poverty reduction. These include the need for enhanced dialogue, participation and consultations with all stakeholders, systematic assessment of impacts and risks, more focus on the analysis of the social dimensions of development initiatives and greater effort to harmonise policies and procedural requirements with the wider development community to improve development effectiveness. Additionally, the ESRP, aims to support Borrowing Member Countries (BMCs) to address issues they have identified as priority concerns, central to their efforts to reduce poverty and to achieve their sustainable development objectives.
- 2.02. The 2014 ESRP outlines how CDB within its mandate and operations ensures that environmental and social risks are managed. The ESRP includes eight environment and social performance standards 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. The objectives of the performance requirements (PR) are to: (a) optimise decision making with respect to environment and social impacts, and risks to anticipate, avoid, mitigate, and/or compensate for adverse project impacts on the environment and affected people and communities; (b) assist BMCs to build capacity and strengthen their institutions and governance systems to effectively manage environmental and social risks; and (c) provide staff, BMCs and other development partners with a clear understanding of the CDB's requirements, and procedures, accountabilities for managing environment and social risks in its operations.

1 CDB Evaluation Policy.
http://www.caribank.org/wpcontent/uploads/2016/03/BD126_11EvaluationPolicyforCDB_FINAL.pdf

- 2.03. The Environmental Sustainability Unit (ESU) of the Projects Department has general responsibility for the updating and revision of the ESRP, for the development of other environment and social operational policies/procedures, guidance in the familiarising and training of staff in their use, as well as for providing general guidance on these issues. ESU and social analysts from the Social Sector Division (SSD) are directly involved in project work as members of project teams. They are also responsible for providing technical inputs in the appraisal and supervision of investment projects, and support to the wider Operations Area of the Bank.
- 2.04. The ESRP has two components: (i) mainstreaming environmental and social considerations; and (ii) the environmental and social review requirements specific to the Bank's investment lending operations. Central to these two components are the environmental and social PR that guide the Bank's approach to the management and treatment of social and environmental issues in its operations.

Environment and Social Performance Requirements.

- 2.05. To achieve the objectives of the ESRP, the Bank has adopted eight PR that define the principles and objectives for addressing the treatment and management of environment and social issues. The PR are in the main based on the "Good Practice Note - A Common Framework for Environmental Assessment (2005)", prepared by the Multilateral Financial Institutions Technical Environment Working Group. The Development Assistance Committee of the Organisation for Economic Cooperation and Development, has endorsed the document as the basis for convergence of environmental and social requirements with respect to institutional requirements, processes, and practices for development projects.
- 2.06. The ESRP and associated PR apply to all CDB financing and non-financing operations and to both the public and private sector operations. Environmental and social appraisal is integrated in CDB's wider due diligence and project appraisal process with the scope of the appraisal determined by initial screening and categorisation on a "case by case" basis. A list of PRs is provided below:
- (a) Pollution Prevention, Control and Management.
 - (b) Toxic and Hazardous Substances Control and Management.
 - (c) Physical Cultural Property.
 - (d) Natural Habitats and Biodiversity Conservation.
 - (e) Directly Affected Communities.
 - (f) Vulnerable Groups.
 - (g) Land Acquisition and Resettlement.
 - (h) Community, Worker Health and Safety.
- 2.07. CDB does not finance projects that do not meet its environment and social PR as defined in this ESRP. At a minimum, all projects financed with CDB's resources must meet the applicable national environment and social legislation; however, CDB's requirements may exceed those required under a specific BMC's legislation.
- 2.08. All new projects must be structured and designed to meet applicable PR, throughout all phases of the project cycle. In the financing of projects, which were already operational, and which did not meet the PR, CDB committed to work with the Borrower to develop an action plan or work programme to achieve compliance for a defined outcome that is satisfactory to the Bank.
- 2.09. CDB is committed to work with other development partners and BMCs to promote the principles and enable the effective implementation of international law governing environment and social PR as

set out in the multilateral environment and social agreements and will cooperate and collaborate with its development partners through co-financed programmes and projects or other collaborative arrangements designed to promote sustainable development.

Mainstreaming Environmental and Social Analysis

- 2.010. **Country Strategy Development** The preparation of a Country Strategy Paper (CSP), (now called Country Engagement Strategy (CES)), is the key process used by the Bank to identify, define, and coordinate its work programme with BMCs. CSPs are required to reflect CDB's environmental sustainability objectives, and documents are required to include a section that addresses significant environment and social issues, potential opportunities and strategic priorities agreed on with the BMC for CDB's support. Strategic Environmental and Social Impact Assessments (SESIA) are analytical tools used for country, sector, policy, project or programme level environment, and social analyses. They provide a framework within which to assess structural weaknesses or long-term cumulative environmental and social impacts and devise appropriate mitigation measures. ESU is responsible for coordinating the preparation of these strategic studies and will work closely with the Economics Department and key stakeholder groups in BMCs, (government, private sector and NGOs) during their design and preparation.
- 2.011. **Special Development Fund Allocations and Programmes.** CDB administers a number of programmes financed from its Special Development Fund (SDF) resources or designed as special purpose vehicles programmes such as the Basic Needs Trust Fund (BNTF), or in specific programme areas identified as high priority such as disaster risk reduction and climate change response, such as the Community Disaster Risk Reduction Fund. Special purpose programmes are required to demonstrate consistency in whole or part with the ESRP and may or may not have specially designed environment and social assessment management procedures and requirements. ESU staff will provide advice and technical support in the determination and application of the environmental and social performance criteria used in the resource allocation process.
- 2.012. **Promote and Support Investments with High Environment and Social Benefits.** CDB promotes and supports initiatives designed to increase environmental sustainability and provides significant environment and social benefits through either discrete projects or as components of specific investment projects. These may include, but are not limited to: (a) activities that strengthen institutions and improve governance arrangements for environment and social issues at the regional and national level; (b) revision of policy; (c) improved management of regional public goods such as environment and natural resources databases and the development monitoring and reporting systems; and (d) development of knowledge resources crucial to policy development and decision-making, and the provision of training. Although in these initiatives the principles and criteria of environmental sustainability are paramount, they are required to meet the Bank's normal criteria for financial viability and institutional sustainability.
- 2.013. **Special Purpose Programmes and Projects.** Environmental and social sustainability have been integrated into special purpose programmes such as the Caribbean Consultancy Technology Services (CTCS) and the BNTF. CTCS provides a range of TA support services to the private sector in BMCs including technical seminars and workshops at the regional and national levels which cover topics of critical importance to small businesses. It therefore provides an opportunity to: (a) encourage these enterprises to identify and take advantage of business ventures with high environment or social benefits; (b) strengthen their environmental management capacity; and assist with project specific tasks such as environmental impact assessments (EIA) and audits; and (c) promote clean technology and best management practices to improve efficiency, reduce waste and raise productivity.

2.014. The BNTF is a grant-funded poverty reduction programme to assist BMCs with the provision of basic services to poor communities in ten participating BMCs. BNTF finances initiatives across a wide range of sectors such as: water and sanitation, education and day care facilities, health facilities, shelter for vulnerable groups, community markets, access and road construction, rehabilitation and maintenance as well as the provision of skills training.

2.015. BNTF utilises a participatory community-based approach to project development and works with both government agencies and NGOs. CDB has developed specific environment and social procedures to manage risks peculiar to the portfolio of small basic infrastructure sub-projects financed under the programme. These procedures encourage and promote environmental awareness and the strengthening of the capacities of communities to identify and manage environmental and social issues at the community level. ESU/SSD staff provides advice and technical support to the BNTF programme on subprojects and support community level training awareness building initiatives.

Managing Environment and Social Risks in the Project Cycle. Environment and social assessment is required for the appraisal of all investment projects proposed for CDB financing, to determine their suitability for financing. Projects are assessed for their potential environment and social risks, opportunities for introducing enhanced environment and social benefits, the capacity of the Borrower to implement the project in-keeping with CDB's PR, and the wider context of the national legislative and regulatory requirements within which it operates.

2.016. **Screening and Categorisation of Projects.** The Borrower is responsible for the provision of all relevant environmental and social information to the Bank, which will be used in the screening process to determine the nature, and scope of potential significant environment and social risks and impacts. A scaled risk-based approach will be used to categorise project proposals on the basis of risk. This will ensure that environmental and social requirements and processes are commensurate to their level of risk and will therefore not slow down or overburden low risk projects. ESU/SSD staff have responsibility for project screening and will categorise each project to determine the nature of the assessment.²

2.017. **Emergency Rehabilitation Projects.** The ESRP is not applicable to emergency grants and/or emergency reconstruction and rehabilitation projects since the completion of standard environmental and social assessments may not be possible before submission to its CDB's Board. However, once these projects have been identified for financing, ESU/SSD staff should be included in the project appraisal team. Staff work with the Borrower to determine the specific requirements for the environment and social assessment. Under these circumstances an environmental management plan (EMP) or resettlement plan (RP) may be allowed as a condition to disbursement of the loan or individual loan components.

Environmental and Social Assessment Process

2 Category "A" projects are those with the potential for significant, diverse, unique, irreversible, or otherwise adverse environmental or social impacts and/or risks. Comprehensive formal environmental and/or social analysis is required using specialised and independent technical expertise. Category "B" projects are those with the potential for limited adverse environmental or social impacts and/or risks that are readily identified. They may be site specific or require mitigation and management measures that are readily known and easily addressed. The environment or social assessment may be limited, requiring that specific issues be addressed based on CDB's PR. Category "C" projects are those having little or no potential for adverse environmental or social impacts. Environmental and social appraisal is generally not required beyond the requirements necessary to categorise the project. Category "FI" typically, the structure of financing is usually through a line of credit provided by CDB, to a financial intermediary (FI) responsible for appraisal, disbursing and monitoring resources provided for sub-projects to multiple small and medium-sized private sector borrowers.

- 2.018. The categorisation of a project will determine the nature and depth of the environment or social assessment the Borrower is required to use to ascertain the potential significant adverse environmental and social impacts and risks throughout all phases of project cycle. The assessment shall (i) consider all potential direct, indirect, transboundary, and cumulative impacts and risks that could result from the proposed project; (ii) assess alternatives to the project; and (iii) assess possible measures to avoid, minimise, or mitigate environmental and social risks and/or impacts of the proposed project. The Bank uses the environment and social assessments submitted by the Borrower to evaluate the significance of potential impacts and risks, the willingness and capacity of the Borrower to address these issues measured against national or statutory requirements of relevance to the project and the PR of the ESRP. In cases where the environment and social assessment do not meet the requirements of the CDB's Performance Standards, CDB can require the client to undertake an additional assessment or, where appropriate, to commission an assessment by external experts.
- 2.019. **Environmental and Social Management Plan.** Recommended mitigation measures should be presented as an Environmental and Social Management Plan (ESMP). A proportionate, adaptive and collaborative approach is recommended in the design of the ESMP between CDB, the Borrower and project stakeholders and included as a conditionality of project financing. The ESMP outlines in detail the agreed measures to be taken during project implementation, the actions required for implementation, the allocation of institutional responsibilities, cost and implementation schedule showing links with the overall project implementation plan as well as the associated, performance monitoring and reporting procedures.
- 2.020. **Significant Social Issues.** Poverty and vulnerability reduction are central to the objectives of the Bank's work and as such its investment financing operations are required to promote and enhance equity of development benefits, increase equitable access to basic goods and services, and promote inclusion and greater social cohesion. In financing projects with significant, contentious, and complex social issues that are likely to impact on the poor and vulnerable, the Borrower is required to carry out separate social assessment studies to systematically address these issues as well as demonstrate the "meaningful participation" of affected groups in all phases of the assessment process and throughout the project cycle.
- 2.021. **Promoting Gender Equality.** In recognition of the strong inter-relationships between poverty environmental degradation and gender, the Bank approved the Gender Policy and Operational Strategy (GEPOS) to pay special attention and commitment to reduce gender inequality by screening and assessing gender impacts in all its operations, to ensure that the findings from these assessments are incorporated in the design of all its interventions such that they reduce any gender specific and disproportionate adverse gender impact and promote improved gender equality.
- 2.022. **Consultation and Participation.** Stakeholder engagement, meaningful public participation and consultations are encouraged throughout the project cycle. CDB requires the Borrower to provide evidence to demonstrate that there has been "meaningful consultation and participation" of affected persons for projects requiring comprehensive environment and social impact studies, and that there be full disclosure of the findings of these studies.
- 2.023. **Environmental and Social Standards.** The findings of the environment and social assessment process must, at a minimum, satisfy the Borrower's national legislative requirements. However, CDB requires that they reflect international best practices and standards with respect to process and methodologies, as well as meet the PR of the ESRP. Reference to environmental standards may be for national legislation or regulatory guidance. CDB recommends the use of international best practice guidance documents such as: (a) The World Bank Group Environment Health and Safety Guidelines

and Best Available Technology Reference Documents: European Commission-Joint Research Centre.
(b) Environmental management standards should reference environmental management systems such as ISO1400 series of standards or equivalent. Guidance on social issues should reference guidance material from the international core labour standards of the International Labour Organisation.

Flexible Instruments and Non-Investment Lending

2.024. **Policy-based Loans and Programme Loans.** As with many other multilateral financial institutions, there has been increasing usage of instruments that support the financing of programme investments and policy-based instruments compared to the traditional, discrete project investments for which traditional ESIA's are best suited. In keeping with best practices of the wider development community, where CDB's resources are used to support a policy-based loan that includes investment financing for regional, a specific sector or an investment programme, the focus should be on the use of more strategic environment and social analytical approaches and the institutional arrangements for management of these risks relevant to the sector or programme, to ensure these are consistent with CDB's environment and social performance requirements. Where specific measures are required to meet CDB's PR, these are to be addressed in the design of environmental and social management frameworks (ESMFs) to guide these operations.

2.025. **Loans Based on Performance Criteria.** For those loans based on performance criteria, demand driven or with multisector sub-projects such as Social Investment Funds or rural development projects, it is useful to include simple and realistic environment and social assessment procedures to manage sub-project risks within the project management structure, or the design of programme specific ESMFs. In addition, these projects provide good opportunities to facilitate increased environment and social awareness through the inclusion of components that can enhance environment and social benefits.

Private Sector Lending

2.026. **Direct Lending.** CDB lends directly for private sector projects in its BMCs, and environmental and social review is an integral part of CDB's decision-making for these projects. CDB understands and respects confidentiality requirements for private sector investment. The Bank works with the Borrower to ensure that issues such as the timing and release of ESIA documentation, public consultation and stakeholder engagement activities are such that they satisfy the ESRP while respecting the need for business confidentiality because of commercial sensitivity or because the law protects it.

3. EVALUATION SCOPE

3.01 This evaluation will assess the CDB's ESRP. It will provide the Board of Directors and CDB Management with evidence on how well the ESRP served to prevent, mitigate, and manage environmental and social risks associated with CDB projects, policies, country strategies and other initiatives, how effectively the procedures are being applied, and what results have been achieved. Lessons learned will inform an update of the ESRP.

3.02 The evaluation covers CDB's ESRP work from 2014 to 2022. It also includes a review of the contribution of ESU/SSD to the functioning of the ESRP mechanisms.

4. EVALUATION QUESTIONS AND METHODOLOGY

4.01 The evaluation questions will have a primary application to the ESRP procedures, organisational arrangements and resource allocation. The evaluation consultants may reconstruct a Theory of Change (ToC) as necessary to help identify plausible causal relationships between inputs, activities, and the

expected outputs, outcomes, and development impacts.

4.02 In addition to assessing the performance of ESRP, the evaluation will present the key issues and lessons and recommendations for future ESRP practice at CDB.

4.03 The evaluation will assess CDB's capacity to prepare projects, be responsive to client needs, conduct procurement and supervision, conduct policy dialogue, coordinate aid, and adhere to its policies.

4.04 Finally, the evaluation will examine the current state of practice / evolved practice / interpretation of ESRP across other Multilateral Development Banks (MDBs), particularly in terms of ESRP frameworks, operational aspects, scope and their potential applicability for CDB.

4.05 Formal performance ratings will not be required in this evaluation. Instead, areas of strength and weakness, lessons, and opportunities for improvement will be identified.

4.06 A draft set of questions are presented below, which may be further refined during the inception phase.

The overarching question the evaluation is: How effective have the CDB's ESRP been in preventing, managing, and mitigating the adverse environmental and social impacts and risks of CDB financed operations and in building client capacity to manage environmental and social impacts and risks?

Specifically, the evaluation will address the key following questions:

- A. How well is the CDB's ESRP suited to prevent, manage and mitigate adverse environmental and social impacts?
 - I. How has the CDB's ESRP framework evolved over time, including in response to changes in external context?
 - II. How, if at all, has the relevance and adequacy of CDB's ESRP been affected by the evolution of CDB's portfolios?
 - III. What are the lessons and best practices can be taken from other MDBs' ESRP, noting that these have evolved in recent years?
- B. How effectively has CDB's ESRP been applied?
 - I. Are the responsibilities for implementing the CDB's ESRP clear?
 - II. To what extent have CDB's organizational arrangements and processes facilitated effective implementation of safeguards policies?
 - III. Were sufficient budget resources allocated to facilitate CDB's ESRP application?
 - IV. How effectively has CDB's ESRP been applied during project identification and preparation, appraisal and negotiation?
 - V. How effectively has CDB's ESRP been applied during project implementation, supervision and monitoring and project completion?
 - VI. To what extent has CDB's ESRP appropriately mitigated and foreseen risks of environmental and social impacts, and ESRP implementation?
 - VII. To what extent do CDB's BMCs have the capacity to effectively implement ESRP and fulfil their ESRP commitments?
 - VIII. Is there an appropriate balance and effort between environmental and social aspects?
- C. What have been the results of CDB's ESRP?
 - I. To what extent has CDB's ESRP helped prevent, manage and mitigate environmental and social project impacts?

- II. To what extent have CDB's ESRP systems and operations helped strengthen BMCs' capacity to manage and mitigate social and environmental impacts?
- D. How effectively did ESU/SSD support CDB's ESRP?
- I. To what extent have ESU/SSD operations and related management helped address concerns related to the application of CDB's ESRP?
 - II. To what extent have ESU/SSD operations and related management fostered learning and improvement on the implementation of CDB's ESRP?

5. EXECUTION

5.01 The evaluation exercise will be structured take into account the following suggestions about methodological approaches and data collection tools around the following three main phases:

- a. *Document Review:* To answer the evaluation questions, an evaluation team will gather evidence from various sources. A desk review will include the analysis of publicly available documents of the BMCs' governments and other multi-lateral institutions, as well as relevant Bank documents related to the ESRP, including but not limited to strategic planning and policy documents, previous evaluations, country strategy papers, appraisals, progress monitoring reports, and project completion reports).
- b. *Case Studies Analysis:* to assess the effectiveness of implementation and the results of CDB's ESRP in mitigating environmental and social impacts, managing risks, and helping build BMCs' capacities to manage risks, a case studies analysis will be conducted for operations implemented from 2014 to 2022. Case studies will be selected based on a number of criteria, such as geographical representation (potentially including but not limited to Dominica, St. Lucia, Guyana, Belize); and operations size, income, and capacity levels. Case study analysis may include examination of worst / best cases their implications for CDB's learning and future strategies.
- c. *Data collection:* The data collection phase will include data gathering from relevant stakeholders through interviews, focus group discussions, and surveys. Due to the spread of COVID-19 and travel restrictions, the evaluation may consider alternative/complementary data collection methods to mitigate risks and ensure stakeholders' protection and safety.

5.02 The Consultant Team will be expected to design and implement a robust evaluation drawing from recognised good practice standards. A theory-based approach would be helpful to identify ESRP's intended outcomes and logic chains. Theory development will be undertaken at the inception stage of the evaluation.

5.03 The following guidelines should be considered for developing the ESRP evaluation methodology:

- (a) Specific evaluation questions, derived from the general questions outlined in Section 4, will be developed in consultation with OIE.
- (b) A methodology that makes the best use of existing secondary data and devises efficient means of primary data collection to support findings and conclusions will need to be developed. It should be based on the overall ESRP and an adequately representative sample of interventions to assess Bank performance over the period.
- (c) Document review, including CDB and other multi-lateral institutions, Country Strategies, related evaluations by OIE and other evaluation offices, and available portfolio documentation (appraisal reports, PSRs, PCRs, PCVRs), will be a starting point.
- (d) Formal ratings of criteria and Bank performance on a Likert scale will not be required in this evaluation. Instead, areas of strength and weakness, lessons, and opportunities for improvement will be identified.

6. REPORTING REQUIREMENTS / DELIVERABLES

6.01 The evaluation consultants shall provide the following documents and reports to OIE:

- a. *Deliverable 1- Inception Report:* The inception report will be based on an initial review of documents and discussions with Bank staff and will include a complete evaluation design including overall approach (including ToC if required); specific evaluation questions; methods;

sampling, data collection, and analysis plan; draft interviews and/or survey instruments; measures to ensure ethical conduct and confidentiality; and timeline of activities. The inception report should include an evaluation matrix. Comments from OIE will be provided within two weeks of submission.

- b. *Deliverable 2 – Findings and Conclusions Report*: The findings and conclusions report will contain the initial compiled, organized, and analysed evidence from the document review, portfolio analysis, interviews and surveys, and field visits. Comments to be provided by OIE within two weeks of submission.
- c. *Deliverable 3 - Draft Final Evaluation Report*: (maximum 40 pages minus annexes) to include validated findings and conclusions, present lessons and recommendations, and a strategy for dissemination. Comments from OIE to be provided within two weeks of submission.
- d. *Deliverable 4 - Final Evaluation Report*: The final evaluation report will include an executive summary (no longer than six pages) and an accompanying PowerPoint presentation summarising the evaluation.

7. ASSIGNMENT TIMEFRAME

- 7.01 A multi-disciplinary evaluation team will require a level of effort of approximately 120 person-days.
- 7.02 The review will commence in July 2022, and the submission of the final report in December 2022.
- 7.03 The proposed timeline is summarised as follows:

Project Timeline

ACTIVITY	DATES
Approach Paper	May 2022
Proposal Call	June 2022
Contract	July 2022
Document Review and Inception	July – September 2022
Data Collection	September – November 2022
Draft Findings and Validation	November 2022
Final Report	December 2022

8. EVALUATION TEAM QUALIFICATIONS

- 8.01 The process review team or individual should command the following expertise:
 - (a) Experience in the design and conduct of evaluations, particularly of policies and strategies
 - (b) Experience in the safeguards procedures (including social and environmental review procedures).
 - (c) Experience working with multilateral banks and government clients.
 - (d) Knowledge of development issues in the Caribbean
 - (e) Strong inter-cultural communication skills in English
 - (f) Ability to integrate qualitative and quantitative data
 - (g) Strong report writing and presentation skills ability and experience in communicating concepts using non-technical language to diverse audiences

- (h) Ability to work in an iterative, collaborative, team approach; and give and receive constructive feedback.

9. MANAGEMENT OF THE EVALUATION

9.01 The consultants will report to CDB's Office of Independent Evaluation (OIE), providing overall direction, guidance, and deliverables approval. The OIE will convene an Advisory Group of principal stakeholders from the Operations area of the Bank for this evaluation. The Group will provide feedback on the scope of work, evaluation design and work plan, findings, and draft report