



WORLD BANK GROUP



**ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)
For
CARIBBEAN INVESTMENT FACILITATION PROJECT (CIFP)
Under The
ENTREPRENEURSHIP PROGRAM FOR INNOVATION IN THE CARIBBEAN (EPIC)**

Introduction

This Environmental and Social Management Framework (ESMF) has been prepared to facilitate environmental management for Grantees of the Caribbean Investment Facilitation Project (CIFP), who may be start-up to early-stage as well as small and medium-sized enterprises (SMEs). The objectives of this ESMF are:

- To establish clear procedures and methodologies for the environmental review, approval and implementation of Grants to be awarded under the program;
- To specify appropriate roles and responsibilities, and outline the necessary reporting procedures, for managing and monitoring any environmental concerns related to program investments;
- To determine the training and capacity building needs;
- To establish the budget required to implement the ESMF;
- To document the public consultation of the ESMF.

The final ESMF shall be referenced as part of the Project Operation Manual.

Project Background

The CIFP will be a recipient-executed initiative delivered via a grant from the World Bank (through the EPIC Trust Fund) valued at US\$1.6 million. The CIFP objectives will be to enable investable entrepreneurs to raise capital from angels and other investors, and to support the development of angel investing in the Caribbean. The CIFP will be developed and managed by the Caribbean Export Development Agency (Caribbean Export), a regional organization that has the institutional ability and strategic interest in developing and deploying the program across the region.

The Entrepreneurship Program for Innovation in the Caribbean (EPIC) aims to support the development of an enabling ecosystem to foster innovative, high-growth and sustainable enterprises in the Caribbean region. EPIC is a 7-year, CAD\$20 million program funded by the Government of Canada through the World Bank Group, operating in CARICOM countries¹ with the exception of Haiti. The EPIC project centers its efforts on three components, of which this ESMF will directly address the potential negative environmental aspects under component II:

¹ These countries include 11 island states (Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, Montserrat, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Trinidad & Tobago) and 3 continental countries (Belize, Guyana, and Suriname). Haiti is the only CARICOM country that does not fall within this program.

- **Component I** seeks to improve the performance, gender responsiveness and sustainability of business enablers across the Caribbean. This will be done by developing and implementing innovative incubation models to start and grow growth-oriented enterprises in the mobile and climate sectors, as well as women-led enterprises. Component I enabling programs include: The Caribbean Climate Innovation Center (CCIC); Caribbean Mobile Innovation Project (CMIP); Women Innovators Network Caribbean (WINC); and Caribbean Business Enablers Support Project (CBESP).
- **Component II** targets strengthening and expanding the regional network of business enablers and developing the investment ecosystem, with an emphasis on preparing entrepreneurs for investment while unlocking investment capital. A key feature is the identification and cultivation of High-Net Worth Individuals (HNWIs) as angel group leaders and subsequent technical assistance and advisory work that results in the launch and development of functioning angel investor groups. Component II thus supports the delivery of both Component I and Component III.
- **Component III** aims to contribute to the enhanced competitiveness and sustainability of growth-oriented entrepreneurs in the Caribbean by providing direct financing that unlocks private/alternative sources of capital. Component III will target entrepreneurs that benefit from EPIC CCIC, CMIP and WINC programs, while leveraging the broader network of business enablers and investors in the Caribbean that benefit from CBESP and Component II, which includes angel investors.

The CIFP will involve the provision of investment facilitation grants to entrepreneurs in SMEs as well as activities to cultivate the development of early-stage investing in the Caribbean, particularly angel investing, and to support the development of deal-flow for early-stage investment. CIFP will provide investment facilitation grants to start-up, early and growth-stage enterprises in the Caribbean that catalyzes private investment into these companies, from angel investors or other relevant financing mechanisms. The CIFP will access two types of investment facilitation grants:

- Co-investment grants will provide grant funding to enterprises that have secured investment from angels and other relevant investors. The purpose of these grants is to incentivize angels to take a bet on promising growth-potential SMEs that they would otherwise not make— by reducing their investment risk. The intended benefit of the grants will be stimulate angel (and other relevant) investment into the SMEs. The grant contribution would be a percentage of the investor’s contribution (up to 50% depending on what is appropriate²) up to a maximum of \$100,000 over two rounds per enterprise and would be made once the investor had placed the capital in the company. To minimize transaction costs, the CIFP should build a network of investors (see section below) and rely on them to carry out the bulk of the commercial/business due diligence on the enterprise, as is done with co-investment fund structures in other countries. However, the CIFP would assess the use of funds and conduct fiduciary diligence on the entrepreneur and investor to ensure that the

² The exact percentage of the grant to the investors’ contribution will be further developed during the project preparation phase.

grant is in compliance with World Bank policies, including environmental and social safeguard policies.

- Investment readiness grants will involve grant funding to start-up and early-stage enterprises that show strong business and investment promise but are still not considered “investment ready” by investors. The purpose of these grants will be to prepare companies for angel or other investment within a short time frame (e.g. 3-9 months) by providing “pre-investment” funding for specified purposes that improve the prospects for investment. The investment readiness grant funding will be coupled with business mentoring that the CIFP will provide or arrange. To ensure that these investment readiness grants catalyze rather than crowd out private investment, the model would need to filter out entrepreneurs looking for “soft money” rather than seeing the grant as a spring-board to leveraging additional capital. Investment readiness grants would be provided to entrepreneurs on the basis of an assessment of the enterprise’s ability to hit key business milestones in the near-term that could attract private investment. Entrepreneurs seeking investment readiness grant funding would be expected to be actively involved in raising capital (for example, are pitching to investors) and, when possible, the CIFP team should communicate with investors to confirm interest and to determine business areas investors find high priority. Investors in CIFP’s network will be invited to give input on the investment readiness grant proposals.

The proposed implementing agency for the CIFP is the Caribbean Export. As a regional agency whose principal focus is on supporting the development of export-oriented SMEs, Caribbean Export conceptualizes, implements and manages programs and initiatives for SMEs ranging from funding and capacity-building interventions, to export development and policy level-engagements with regional governments. Caribbean Export has a pan-Caribbean presence and network, including strong working relationships with SME and entrepreneurial support organizations across the region, including those within the Organization of Eastern Caribbean States (OECS). This will allow the CIFP to have far-reaching regional coverage beyond the larger islands. The pan-Caribbean network will also allow the CIFP to generate deal-flow for its grants as well as angel investors. Caribbean Export’s current support to entrepreneurs and SMEs include training and certification, capacity building, export market linkages, and other business support services. Recently, the Agency has broadened its focus to include Caribbean start-ups, working in conjunction with accelerators and incubators.

Caribbean Export has a capable management and implementation team that is strategically interested in developing angel investing in the Caribbean, forming new groups, including in the smaller island nations, and working towards building a pan-Caribbean angel network. Additionally, the Agency has robust processes and has built a proven track-record in running “matching grants” programs, which it will leverage for the investment facilitation grants under the CIFP. Caribbean Export also has strong fiduciary systems - including financial management and procurement - given experience working with multilateral and bilateral donors that will allow it to effectively manage a World Bank grant.

Anticipated Project Types

The sub-grants will be targeted at start-up, early stage and relatively small companies with growth potential. The types of companies that are likely to be beneficiaries of the Investment Facilitation Grants include, but not limited to, the following:

- **Information and Communications Technologies (ICT):** Businesses that unify and integrate telecommunications systems or features, such as devices (computers, telephones, mobile devices) and also involve the storage and maintenance of data, such as hosting facilities.
- **Media/Entertainment:** Includes entertainment and production companies that provide services or that produce events.
- **Logistics/Distribution:** Companies providing transportation or delivery services of products
- **Digital/Creative Industries:** Includes production studios and business for film and digital animation, and business engaged in jewelry and craft production.
- **Software/Mobile Applications:** Generally enterprise software or social/business/communications applications for mobile devices.
- **Outsourcing/Professional Services:** Business process outsourcing including call centers is a growing industry in the Caribbean, and includes financial transactions processing (such as credit cards).
- **Tourism:** Businesses servicing tourists including expeditions and tourism-related services (but not involving real-estate development)
- **Clean Technology:** Companies developing products or services that use clean-technology – such as solar panels, waste to energy products,
- **Consumer Products & Food:** Includes general consumer products such as cosmetics, artwork, electronic goods and daily consumables, convenience and specialty goods. This could include crafts and locally-produced goods as well as edibles such as chocolates or teas.
- **Light Manufacturing:** Light industrial businesses where assembly/disassembly of materials or processing takes place in an enclosed space (such as a single facility). Inputs are generally already partially processed materials and result in value-added end products. Examples include clothing or assembly of electronic goods or other products.
- **Agro-Processing:** Processing of food products sourced from local farms or imported agricultural raw material.

Project Setting and Potential Environmental Impacts

The specific location of all Project related activities is not known at this time but they could be located in any Caribbean Community (CARICOM) country (except Haiti) where the program is being implemented. The CIFP is designed to assist small high growth entrepreneurs and SMEs, and therefore the activities of some SMEs who receive sub-grant support from the Project may result in negative environmental impacts, if environmental and social aspects are ignored or improperly managed. Some site-specific activities may present environmental risks and/or impacts, particularly as it relates to the improper disposal of wastes, the unsafe handling or storage of toxic or hazardous materials, or the inappropriate use of residential dwellings for industrial purposes. The scale of the activities is expected to be small at this early stage of

development of the recipients' enterprises; however, by this early incorporation of the elements of sound environmental planning and management, it is expected that once the businesses are successful and grow, they will continue with the practice of good environmental management.

Notwithstanding the positive effects, localized environmental negative impacts may occur from the types of private enterprises and technology ventures being considered. These impacts may include air pollution due to dusts and fumes, soil and water pollution and waste from electrical, electronic, and metallic equipment, or other byproducts produced as a result of creation, installation, manufacture and testing by SMEs. Some wastes may pose a potential threat to human health and the environment when improperly handled, managed or disposed of. In addition generation of particulate matter/dust, and emission of exhaust combustion of gas products into workspace or the environment must be adequately controlled. There are also possibilities of impacts from unsafe health and environment for workers, unsafe working place conditions, which among others may cause adverse impacts on people and society. With regards to unsafe health and environmental working conditions, health problems may result due to a lack of safe facility arrangements, as well as waste and noise pollution in the working area. There should be proper arrangement for a healthy, safe and secure environment for workers. The SME should provide a clean and tidy workplace, and safeguards against fire or noxious vapors.

In order to address these potential adverse impacts, the environmental screening process proposed under this ESMF will be applied in such a way as to ensure that potential negative impacts are prevented and/or mitigated appropriately, and positive impacts are enhanced.

Environmental Management Requirements

Requirements applicable to the Project include environmental, health and safety laws, and regulations in CARICOM countries, and World Bank Environmental Safeguards.

A regional environmental policy is under development by CARICOM, with assistance from the Jamaica-CARICOM Friendship and Cooperation Fund (JCFCF)³. Actions funded by the CIPF will be subject to national environmental, health and safety regulatory requirements in each host country. Most Caribbean countries utilize environmental laws stemming from their Physical Planning Departments, in concert with a permit and license system. This mechanism is intended to ensure that all facilities and development projects meet the relevant standards and procedures to minimize adverse environmental impacts during construction and operation of a facility. Permits are required by persons undertaking new development, which fall within a prescribed category. Part of the screening and verification process is to ensure that any national and local permits, if required, are in place by the Applicant.

Relative to World Bank Environmental Safeguards, under [Operational Procedure 4.01](#) the Bank undertakes environmental screening and proposed projects are classified into one of four categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts:

³ Please see http://www.caricom.org/jsp/pressreleases/press_releases_2013/pres76_13.jsp

- **Category A** projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.
- **Category B** projects may have potential adverse environmental impacts on human populations or environmentally important areas, but are less significant than those of Category A projects. These impacts are site specific; few if any of them are irreversible; and in most cases mitigation measures can be designed readily with standard methods.
- **Category C** project is likely to have minimal or no adverse environmental impacts, and there are no further environmental requirements.
- **Category F or FI** project involves investment of Bank funds through a financial intermediary, in subprojects that may result in adverse environmental impacts.

The Project is classified as Category B (per OP/BP4.01) given that potential impacts associated with financing of small-scale activities by SMEs. No Category A sub-projects will be financed by the Project, as they will be excluded during screening. The activities funded could have limited short-term environmental adverse impacts, which are not significant and can be adequately mitigated with standard measures. Projects and activities have yet to be fully defined. In accordance with OP/BP4.01, this ESMF document has been developed to manage the potential associated environmental impacts and risks.

There are a number of other World Bank Environmental and Social Safeguards policies,⁴ which identify situations where more complex environmental, social, and legal situations would require much greater planning efforts to properly address. To ensure that these types of situations do not occur, screening and exclusion criteria have been developed and will be applied to avoid triggering the policies, for which additional information follows:

- Natural Habitats (OP/BP 4.04) strictly limits the circumstances under which any Bank-supported project can damage natural habitats (land and water areas where most of the native plant and animal species are still present).
- Physical Cultural Resources (OP/BP 4.11) seeks to avoid, or mitigate, adverse impacts on cultural resources (movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance) from development projects that the World Bank finances.
- Pest Management (OP 4.09) seeks to ensure that rural development and health sector projects avoid using harmful pesticides. The Bank requires that any pesticide it finances be manufactured, packaged, labeled, handled, stored, disposed of, and applied according to standards acceptable to the Bank, and excludes certain formulated products, as well as

⁴Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTSAFEPOL/0,,menuPK:584441~pagePK:64168427~piPK:64168435~theSitePK:584435,00.html>

requiring training, equipment, and facilities to handle, store, and apply these products properly.

- Involuntary Resettlement (OP/BP 4.12) relates to activities that cause involuntary resettlement or require land acquisition. All social analysis conducted related to studies to support subsequent private investment activities will consider the potential need for land acquisition associated with the investments, as well as the situation of land ownership and occupation.
- The Indigenous Peoples (OP/BP 4.10) Policy contributes to the Bank's mission of poverty reduction and sustainable development by ensuring that the development process fully respects the dignity, human rights, economies, and cultures of Indigenous Peoples. For all projects that are proposed for Bank financing and affect Indigenous Peoples, the Bank requires the borrower to engage in a process of free, prior, and informed consultation.
- Forests (OP/BP 4.36) deals with the management, conservation, and sustainable development of forest ecosystems and their associated resources are essential for lasting poverty reduction and sustainable development, whether located in countries with abundant forests or in those with depleted or naturally limited forest resources.
- Safety of Dams (OP4.37) requires that experienced and competent professionals design and supervise construction, and that the borrower adopts and implements dam safety measures through the project cycle. The policy also applies to existing dams where they influence the performance of a project. The policy applies to large dams (those greater than 15 meters in height) or high hazard dams.
- Projects on International Waterways (OP/BP 7.50) may affect the relations between the World Bank and its borrowers, and between riparian states. Therefore, the Bank attaches great importance to the riparian zone making appropriate agreements or arrangements for the entire waterway, or parts thereof, and stands ready to assist in this regard. The Policy lays down detailed procedures for the notification requirement, including the role of the Bank in affecting the notification, period of reply and the procedures in case there is an objection by one of the riparian zones to the project.
- Projects in Disputed Areas (OP/BP 7.60) may affect the relations between the Bank and its borrowers, and between the claimants to the disputed area. Therefore, the Bank will only finance projects in disputed areas when either there is no objection from the other claimant to the disputed area, or when the special circumstances of the case support Bank financing, notwithstanding the objection. The policy details those special circumstances. In such cases, the project documents should include a statement emphasizing that by supporting the project, the Bank does not intend to make any judgment on the legal or other status of the territories concerned or to prejudice the final determination of the parties' claims.

Screening and exclusion criteria, consistent with OP/BP 4.01, have been developed to ensure that these other World Bank Safeguard Policies would not be triggered in lending to the SMEs (see Annex 1).

The ESMF and its executive summary respectively will be disclosed in country and internationally e.g., Caribbean Export's website (<http://www.carib-export.com>) and World Bank's Info Shop (<http://www.worldbank.org/en/publication/infoshop>). The ESMF will be available online, free of charge to any interested individual or organization.

Project Environmental Management Strategy

The CIFP program triggers the World Bank Environmental Safeguards Policy OP 4.01 and is classified as Category B, based on the initial screening carried out by the Bank's safeguards specialists. The project receives this classification since SMEs have the potential to cause localized negative environmental impacts, which can be identified and managed using standard approaches. Category A activities are excluded from financing under CIFP (see Annex 1).

At this stage the actual locations and activities of SMEs that will benefit from financing under this grant are unknown, and thus any potential adverse environmental impacts of future investments cannot be clearly determined prior to the appraisal of this Project. This ESMF has been prepared to guide the screening of sub-projects and the preparation of the relevant safeguards instruments that may be needed once sub-project activities and locations are known. The ESMF includes training program, responsibilities for its implementation and monitoring, procedures and budgets for ensuring enhancement of the environmental performance of the interventions. The ESMF reflects clarified roles and responsibilities vis-à-vis the implementation of the ESMF.

Caribbean Export will actively manage the execution of the ESMF; among the many functions of the Agency, including (i) reviewing SME applications, (ii) appraising the SMEs, and (iii) providing training and awareness, it will also screen and vet SMEs for compliance with the requirements of this ESMF before approving funding. Caribbean Export will also monitor environmental compliance of the SMEs, and maintain records of screening and inspection documents for all SMEs who receive Grants under the CIFP.

Caribbean Export will evaluate Grant applications, which may involve various possible activities. Awardees must minimize or avoid any potential impacts to the natural environment (air, water and land), human health and safety, and physical resources. Before providing support, Caribbean Export will first screen and vet proposals with the aim, among others, to identify positive impacts and also to avoid any adverse environmental impacts of the proposed business ventures. The procedures in the ESMF applicable to SMEs will identify any adverse impacts and put proper mitigation measures in place, as necessary.

It is the responsibility of the Applicant (SMEs) to provide accurate information regarding any adverse impacts, and to include this information in the application submitted to CIFP for funding. This information will be evaluated by Caribbean Export as a part of the application process. Caribbean Export will also include environmental protection measures in the Grant

language. After receiving funding, the SMEs will implement the proposed activities in line with good environmental and social practices, and will be expected to report to Caribbean Export any mitigation measures taken, or any non-compliance. The local and national agencies under the host country's administrations, or any other concerned agency may also monitor and enforce environmental mitigation measures as applicable.

The Grant Application procedure will include five steps to ensure that environmental considerations are taken into account, as summarized in the checklist below:

- Step 1: Have the Grant activities been compared to the Exclusion Checklist?
- Step 2: Has the Applicant met the basic Environmental and Social requirements?
- Step 3: If required, has a field visit been conducted and an ESMP been created?
- Step 4: Have the environmental requirements been included in the Grant agreement?
- Step 5: Has the Application been reviewed and cleared by Caribbean Export staff?

Step 1: Compare to Exclusion List

Certain projects are not eligible for financing in World Bank Projects because they are listed under International Finance Corporation (IFC) Exclusion List or because they would trigger Safeguards Policies and generate complex environmental management requirements that are not in line with the program goals or limitations. Those excluded activities are listed in Annex 1 of this ESMF.

Step 2: Application Screening to Evaluate Environmental and Social Risk

Each Applicant must complete environmental and social screening forms in order to identify if there are any relevant concerns. Annexes 2 and 3 contain the lists of screening criteria, which will be used for the initial evaluation of environmental and social risk. Completion of the screening forms will be the responsibility of Grant applicants, who must certify that all the information is correct.

Social aspects will be screened using the form in Annex 2. Many project types require environmental permits under the national or local regulations if they fall under prescribed categories. Local municipal or parish authorities may also require building and/or zoning permits for projects that change land use, emissions, or require construction. Caribbean Export shall require that applicants provide evidence that all applicable permits have been acquired. This, and other requirements are included in the screening form in Annex 3, which addresses environmental aspects.

Step 3: Field Appraisal

The applicant's proposal will be reviewed by Caribbean Export staff to validate proper consideration of environmental and social issues. If any potentially significant environmental or social issues are identified, Caribbean Export staff, or their BSO delegates or consultants, will conduct a site visit (field appraisal) in order to validate the information contained in the Grant

application and to determine if there are any unresolved or pending permits, social issues, or if additional mitigation measures in need of implementing. For this purpose the checklist given in Annex 4 will be applied. However, SME interventions which are likely to have no or minimal adverse environmental and social impacts will not need to conduct a site investigation beyond the initial environmental and social screening.

If irregularities, complexities, permit gaps, unresolved social issues, or any problems are found during the screening process, a plan to correct them and improve management of the SME may be appropriate. In such case an Environmental and Social Management Plan (ESMP) would be developed and included in the Grant application prior to approval. Guidelines for preparing an ESMP are included in Annex 5.

The proposal will be approved for funding on the condition that its adverse environmental impacts are minimal, negligible, reversible, and insignificant and can easily and cost-effectively be mitigated. If a proposed project is found to carry substantial environmental risk corresponding to a Category A, or if any of the exclusion list characteristics are met (from Annex 1), then the Grant cannot be awarded by Caribbean Export.

Step 4: Grant Conditions

Following the evaluation and screening of environmental risk, Caribbean Export is in a position to award the Grant, subject to measures being taken to control the risk, or to deny the Grant due to unacceptably high risk. Standard language for the grants relative to environmental matters is included in Annex 6. If Caribbean Export has identified any particular environmental risks associated with a particular Grant, they may wish to attach more specific conditions to the Grant to reduce the risk. Caribbean Export shall include a covenant in the Grant that the sub-project shall comply with all applicable national environmental health and safety regulatory requirements and shall not directly result in any significant negative environmental impacts.

Step 5: Review and Clearance

Caribbean Export staff will review the applicant's proposal to validate proper consideration of environmental and social issues as per the ESMF. Both desktop screening and field visits (if applicable) must be reviewed and approved, as well as an ESMP if indicated.

Environmental Reporting

As part of grant administration, Caribbean Export will maintain information on SME performance in its portfolio. Follow-up on individual SMEs will be performed if deemed necessary. Caribbean Export will also require SMEs to provide the information annually, and the Agency will utilize and evaluate this information to continually improve and adapt its environmental policies and management.

Caribbean Export will provide a quarterly summary report to the Bank with the following information for the CIFP portfolio:

1. Breakdown of Grants by type of venture or technology and type of environmental risks identified during the screening process.
2. Describe how environmental procedures have been integrated into the Grant approval process.
3. Give details of any Grant rejected on environmental grounds, in particular, for actual or perceived non-compliance.
4. Give details of any other transaction rejected on environmental or health and safety grounds.
5. Give details of any material environmental issues associated with Recipients during the reporting period, in particular:
 - (a) Any accidents/litigation/complaints.
 - (b) Any incidents of non-compliance with applicable environmental and health and safety regulations and standards, such as fines, penalties or excess fees for non-compliance.
 - (c) Any incidents of non-compliance by Recipients with environmental covenants/conditionality imposed by the Bank.
6. Give details of any Grants/investments/guarantees etc. used to finance environmental improvements, such as; energy efficiency, waste minimization, switch to cleaner technology, reduction of permit fees or fines due to environmental improvements.
7. Describe how the Recipients' environmental performance has been monitored (e.g. site visit by CIFP representatives; inspection by environmental/health authorities; copies of updated permits, reports from the Recipient).
8. Specify name and position of the individual(s) formally responsible for the implementation of the environmental procedures.
9. State any difficulties and/or constraints related to the implementation of the environmental procedures.

Caribbean Export has the flexibility to structure its reporting to the Bank as it judges best and most efficient, such as possibly combining this reporting with other quarterly requirements to streamline the process.

Technical Assistance, Capacity Building, & Training

Caribbean Export has a broad range of expertise and experience in administration of various Grant projects. However, Caribbean Export and the Bank realize there is a need within the context of the CIFP to establish a functional system of environmental and social management, including the designation of a social and environmental risk manager to screen and track social and environmental aspects and report on them as needed. The Agency may also contract an external E&S consultant to support Grant evaluations and site visits, if and as required, and may coordinate with BSOs to conduct local site visits as well. Caribbean Export staff will also undergo training on how to apply the ESMF on the potential CIFP-supported business ventures plus early stage ventures receiving the funding. Moreover, the CIFP Grant awardees, which include SMEs and private entrepreneurs, will require training to strengthen social and environmental impact screening and implementation of mitigation measures.

This technical assistance, capacity building and sensitization may be provided in the following areas during outreach, or in tandem with other Caribbean Export interventions:

- Environmental and social impact screening process and using ESMF checklists
 - Screening process
 - Exclusion of high risk or ineligible project types
 - Rationale for using Environmental and Social Checklists
 - The importance of public consultations and participation of households in the screening and planning process
 - How to monitor ESMF implementation
- Safeguard policies, procedures and sectorial guidelines
 - Review and discussion of relevant environmental policies, procedures, and legislation
 - Review and discussion of the World Bank 's safeguard policies and IFC Environmental Health and Safety Guidelines
- Selected topics on environmental protection and social safeguards and IFC Environmental Health and Safety Guidelines for such topics as:
 - Air-CO2 mitigation
 - Water- pesticides and toxic chemical mitigation
 - Soil pollution- Pesticides and toxic chemical mitigation
 - Health and Safety
 - Waste management and disposal
 - HIV/AIDS etc.
 - Natural resource utilization
 - Selection of viable small & medium scale enterprise

Estimated Costs to Implement the ESMF

The ESMF screening activities will be carried out by the CIFP as part of normal Grant application evaluation procedures, so a separate budget is not required. Periodic visits are carried out by Caribbean Export and BSOs for other program purposes, therefore a modest internal budget for environmental aspects is warranted for this task. However, Caribbean Export may use external consultants for field appraisal support if logistics merit, for which a maximum of US\$20,000 per year is budgeted.

Periodic reporting to the Bank on environmental and social matters will require additional effort in the administration of the funds. The estimated budget for this activity is already included within each quarterly report. Caribbean Export may combine reporting for fiduciary and other aspects in order to reduce cost.

Capacity building and training will also require funding. Caribbean Export workshops and training initiatives may be conducted periodically to reach out to CARICOM government agencies, SMEs, and other interested parties, and at such times CIFP may provide materials and instruction on how applicants must screen environmental risk and provide periodic updates on ESMF activities. The budget for these activities is already included in other Caribbean Export outreach activities including virtual workshops to reduce cost. Supervision by World Bank specialists may also be used as an opportunity to convene trainees.



Public Disclosure and Consultation of the ESMF

During the project preparation process, discussions were held with Caribbean Export and the World Bank Environmental Safeguards Specialist. The results of this initial consultation have been included in this draft ESMF.

The next step is for stakeholder consultations to be carried out as part of refining the ESMF to ensure that it is satisfactory and will serve to guide environmental aspects of the project. The consultation output will be incorporated into the ESMF's final version, and will be documented in Annex 7.

In the future, additional consultations will be made with SMEs in the course of the environmental screening process, and the results will be incorporated into the proposals to be submitted for funding. In part this will be enhanced during the capacity building and training activities described in this ESMF.

ANNEXES

Annex 1. Exclusion List

Certain projects are not eligible for financing in World Bank Projects because they are listed under IFC Exclusion List or because they would trigger Safeguards Policies that would require restructuring. Those project activities are listed below:

- Those that are illegal under country laws, regulations or ratified international conventions and agreements
- Projects that would be classified as Category A under the World Bank OP/BP 4.01
- Projects that would involve significant conversion or degradation of natural habitats
- Projects that would involve any affect upon critical natural habitats
- Projects that would involve significant impacts on physical cultural resources
- Projects that would involve the purchase, use or management of significant quantities of pesticides
- Forest commercial harvesting that includes areas of critical forest or related critical habitat or industrial-scale projects, including plantations, that do not have independent forest certification
- Community or small-scale harvesting forest projects by small-scale landholders or local communities that do not adhere to forest management standards consistent with requirements for a forest certification system (World Bank OP 4.36, Para. 10) or have an acceptable time-bound action plan to achieve such standards.
- Projects that would directly or indirectly involve the construction of a dam greater than 10 meters in height or the use of water from a dam greater than 10 meters in height
- Weapons and munitions
- Alcoholic beverages (excluding wine and beer)⁵
- Tobacco⁶
- Gambling, casinos and equivalent enterprises⁷
- Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)⁸
- Radioactive materials⁹
- Unbounded asbestos fibers¹⁰

⁵This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue

⁶ This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue

⁷ This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue

⁸ www.cites.org

⁹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source is to be trivial and/or adequately shielded

¹⁰ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest¹¹
- Polychlorinated biphenyl compounds (PCBs)
- Pharmaceuticals subject to international phase outs or bans¹²
- Pesticides/herbicides subject to international phase outs or bans¹³
- Ozone depleting substances subject to international phase out¹⁴
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Trans boundary trade in waste or waste products¹⁵, except for non-hazardous waste destined for recycling
- Persistent Organic Pollutants (POPs)¹⁶
- Non-compliance with workers fundamental principles and rights at work¹⁷
- Significant degradation of a National Park or similar protected area¹⁸
- Real estate speculation
- Land acquisition that would involve involuntary resettlement or land acquisition in which there is not a willing seller

¹¹ Primary forest is defined as relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years; and Tropical moist forest is generally defined as forest in areas that receive not less than 100 mm of rain in any month for two out of three years and have an annual mean temperature of 24⁰ C or higher.

¹² Pharmaceutical products subject to phase outs or bans in United Nations, *Banned Products: Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved by Governments*. (Last version 2001, www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001_3.pdf)

¹³ Pesticides and herbicides subject to phase outs or bans included in both the Rotterdam Convention (www.pic.int) and the Stockholm Convention (www.pops.int).

¹⁴ Ozone Depleting Substances (ODSs) are chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. The chemical compounds regulated by the Montreal Protocol includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents. (www.unep.org/ozone/montreal.shtml).

¹⁵ Define by the Basel Convention (www.basel.int).

¹⁶ Defined by the International Convention on the reduction and elimination of persistent organic pollutants (POPs)(September 1999) and presently include the pesticides aldrin, chlordane, dieldrin, endrin, heptachlor, mirex, and toxaphene, as well as the industrial chemical chlorobenzene (www.pops.int)

¹⁷ Fundamental Principles and Rights at Work means (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) prohibition of all forms of forced or compulsory labor; (iii) prohibition of child labor, including without limitation the prohibition of persons under 18 from working in hazardous conditions (which includes construction activities), persons under 18 from working at night, and that persons under 18 be found fit to work via medical examinations; (iv) elimination of discrimination in respect of employment and occupation, where discrimination is defined as any distinction, exclusion or preference based on race, color, sex, religion, political opinion, national extraction, or social origin. (International Labor Organization: www.ilo.org)

¹⁸ In addition to in-country designated areas, other areas include: natural World Heritage Sites (defined by World Heritage Convention, <http://whc.unesco.org/nwhc/pages/doc/main.htm>), United Nations List of National Parks and Protected Areas, designated wetlands of international importance (defined by RAMSAR Convention, www.ramsar.org), or selected areas (e.g., strict nature reserves/wilderness areas, natural parks, natural monuments or habitat/species management areas) defined by IUCN (International Conservation Union, www.iucn.org).

Annex 2. SME Application Social Screening Form (SSF)

This Social Screening Form (ESSF) has been designed to assist in screening of SMEs for any potential adverse social impacts as part of Grant evaluation. The form is designed to place information in the hands of evaluators in the CIFP and Caribbean Export, so that impacts and their mitigation measures are determined. The Form contains information that will allow reviewers to determine the characterization of the prevailing social environment with the aim to assess the potential social negative impacts of the Grant.

- 1. Name of the SME:
- 2. Location of the SME:
- 3. Applicant Name:

Contact details: (person responsible for filling out this SSF)

- 1. Name:
- 2. Job title:
- 3. Telephone numbers:
- 4. Signature:

PART A: BRIEF DESCRIPTION OF SMALL AND MEDIUM ENTERPRISE

Please provide information on the type and scale of the climate change innovative technology (area, required land, approximate size of total building floor area, roads, disposal sites, water supply, energy requirements, human resources, etc.).

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PART B: SOCIAL SAFEGUARDS SCREENING FORM

	SOCIAL SAFEGUARDS SCREENING INFORMATION	YES/NO	REMARKS/MITIGATION MEASURES
1.	Would the proposed project have social impacts that could affect disabled persons or other vulnerable groups?		
2.	Is the project likely to significantly impact gender equality and women’s empowerment ¹⁹ ?		
3.	Will the proposed project have variable impacts on different ethnic groups, or social classes?		

¹⁹ Women are often more vulnerable than men as it relates to resource scarcity. They typically have weaker and insecure rights to the resources they manage (especially land), and spend longer hours on undertaking labour. (OECD, 2006). Women are also more often excluded from other social, economic, and political development processes.



4.	Will the proposed project have any specific human rights implications?		
5.	Will the proposed project marginalize or adversely affect youth ²⁰ ?		

N/B:

For all issues indicated by “Yes”, the applicant is expected to explain how he/she intends to mitigate them. If it is not possible, the Grant cannot be financed.

PART C. CERTIFICATION

We certify that we have thoroughly examined all the potential adverse effects of this sub-project. To the best of our knowledge, the sub-project plan as described in the application and associated information in this screening form is true and accurate.

Grant Applicant (signature):.....

PART D: FOR CARIBBEAN EXPORT USE ONLY:

Indicate whether the subproject can be considered for approval.

The application is complete, all significant environmental and social information has been provided, and any potential issues have been identified.

Indicate which social issues, if any, need to be clarified at the subproject site by a field appraisal:

.....

.....

.....

.....

If necessary, a Field Appraisal report will be completed and added to the subproject file.

Name of Caribbean Export desk appraisal officer (print):

.....

Signature:.....

Date:

²⁰ The Bank is aware of the limitations of its definition of youth, but characterizes the group as persons aged 15-24.

Annex 3. SME Application Environmental Screening Form (ESF)

The checklist below will be submitted along with the Grant Application to help Caribbean Export make a preliminary decision whether a particular Applicant may exhibit compliance problems, excess environmental risk, or complex or sensitive environmental conditions. Projects that trigger any of the conditions in the checklist would be considered as potentially having significant environmental risk, and would bear further explanation or clarification by the Applicant, which should be attached to the checklist by the Applicant for subsequent evaluation and correction during the field appraisal (Annex 4) as needed

PART A: BRIEF DESCRIPTION OF SMALL AND MEDIUM ENTERPRISE

Please provide information on the type and environmental aspects of the SME (area, required land, approximate size of total building floor area, roads, air or water discharges, waste management, water supply, energy requirements, human resources, permits required, etc.).

ENVIRONMENTAL SCREENING INFORMATION		YES	NO	N/A
1.	Does the existing enterprise require or have a valid operating permit, license, approval, etc.?			
2.	Does the existing enterprise meet all national environmental regulations regarding air, water and solid waste management, if and as applicable?			
3.	Does the existing enterprise have any significant outstanding environmental fees, fines or penalties or any other environmental liabilities? (E.g. lack of permit, legal claims, contaminated soil stained with chemical releases, waste pits, stressed vegetation, contaminated waterways)			
4.	Have there been any complaints raised by local groups regarding conditions at the facility? (E.g. Material complaints from the public, legal claims due to environmental/social issues, environmental incidents, accident of death of workers or public)			
5.	Will the sub-project generate water effluents?			
	• If yes, would they violate any national or local standard			
	• If yes, would they be managed in accordance with applicable law			
6.	Will the sub-project generate air emissions?			
	• If yes, would they violate any national or local standard			
	• If yes, would they be managed in accordance with applicable law			
7.	Will the sub-project generate noise levels that:			
	• violates national or local noise standards?			
	• impacts sensitive receptors (housing, hospitals, schools, etc.)?			
8.	Will the subproject consume, store, produce or utilize hazardous materials that:			
	• require special permits or licences			
	• require licenced or trained personnel			
	• are outlawed or banned in EU or Western countries			
	• are difficult, expensive, or hard to manage			
	• are inconsistent with EHS Guidelines or recommendations			
	• have a high risk of explosion, fire, or danger to workers			
	• are vulnerable to seismic, flood, terrorist attack, or other danger			
9.	Will the sub-project be located within or close to sensitive areas such as:			
	• hospitals or schools			
	• housing areas			
	• historical structures			
	• buildings/areas not officially protected but recognized by the local population as significant			



10.	Do the project activities have any unsafe history, such as:			
	• material complaints from the public			
	• legal claims against the company due to environmental or social issues			
	• significant accidents or deaths of workers or public			
	• environmental incidents or accidents (spills, dust clouds, releases, etc.)			

.....

PART B: ENVIRONMENTAL SCREENING FORM

Please complete the checklist below, indicating any applicable items, and by providing additional information where required. It is realized that for many startups, early-stage and growth-stage businesses, that these items will not be applicable. However all sections should be filled, by indicating 'N/A' where it is the most appropriate response.

PART C. CERTIFICATION

We certify that we have thoroughly examined all the potential adverse effects of this subproject. To the best of our knowledge, the subproject plan as described in the application and associated information in this screening form is true and accurate.

Grant Applicant (signature):.....

PART D: FOR CARIBBEAN EXPORT USE ONLY:

Indicate whether the subproject can be considered for approval.

The application is complete, all significant environmental and social information has been provided, and any potential issues have been identified.

Indicate which environmental issues, if any, need to be clarified at the subproject site by a field appraisal:

.....

If necessary, a Field Appraisal report will be completed and added to the subproject file.

Name of CEDA desk appraisal officer (print):



.....
Signature:.....

Date:

Annex 4. SME Field Appraisal (Site Visit) Checklist

A Caribbean Export representative will visit applicants as required. During such visit, the Caribbean Export representative will examine the physical condition of the area where the activities are taking place, in order to verify the information in annex 2 and 3 and to ascertain if there are any factors, which may represent environmental or security risks. The checklist below will assist the Caribbean Export representative in conducting the site visit, and in documenting and reporting the social, environmental and safety conditions at the site. Relevant IFC EHS Guidelines will be used as references as appropriate.

(1) Key Processes (List the key processes, physical activities, waste products, and emission)

(2) Environmental Risks (List any potential environmental issues and discuss how the Grantee is managing and controlling these risks)

(3) Environmental Opportunities (List the key opportunities for improvement, and discuss these with the Grantee if appropriate)

(4) Indicators of Management or Existence of Environmental Issues

Use this list as a check for indication of the existence or environmental issues of their good/poor management as you go around the site.

- Level of housekeeping in general (good or bad)
- Nature of air emission from chimney or stacks (clean or dirty), and adequacy of treatment of emissions.
- Odour of site (no odour or strong odour)
- Noise level (high or low)
- Eye irritation (clean or dusty)
- Past use of land (could indicate contamination of ground)
- Storage of hazardous or polluting materials, by-products or waste (check method of disposal for environmental impact)
- Underground storage of liquids (difficult to see leakage but ask about how management control possibility of leaks).
- Proximity to residential areas (close or distant).
- Proximity to polluting source e.g. neighbouring industry (could contaminate customer's property)
- Proximity to water courses (indicates likelihood of contamination by accident/leakage).
- Health and safety record (good or bad).

(5) Financial Issues

- What are the annual costs for user fees, past fines/penalties?
- What is the required capital or operational investment costs for environmental improvements in the short/long term?
- Are environmental costs incorporated into the business plan and other financial projections?

(6) Legal Issues

- Have there been any environmental notices or orders served on the company which restrict business activities?

- Does the company have all the required environmental permits?
- Is the company aware of their legal obligations as far as permits or emission standards?

(7) Reputational Issues

- Is the CIFP exposed to reputational risk through the Grantee's activities (e.g. handling hazardous products, high local emissions, or disturbing the local community)?
- What steps has the Grantee taken to control any reputational or environmental issues, if applicable?

(8) Management Issues

- Is there someone with responsibility for environmental matters?
- Do they seem well informed and able to manage their environmental responsibilities?
- Do they produce documentation in a timely fashion (e.g. for yourselves)?

(9) Social Issues

- Have any social issues been identified in the Annex 2 checklist?
- Are there any labor, health and safety, or other social issues apparent during the site visit?

(10) Conclusions and Recommendations

Add any conclusion and recommendation, including:

- Any further environmental appraisal required;
- Any further information promised by the company.

As a result of the on-site visit, the Caribbean Export representative may recommend environmental management or reporting activities, which would apply throughout the life of the Grant. If irregularities, complexities, permit gaps, or any problems are found during the screening process, a plan to correct them and improve management of the SME may be appropriate. In such case an ESMP would be developed and included in the Grant application prior to approval. Guidelines for preparing an ESMP are included in Annex 5. These recommendations may also be included in the site visit report and incorporated into the Grant documentation.

Annex 5: Guidelines for Preparing an ESMP

When a subproject evaluation has included a Field Appraisal and it is determined that distinct mitigation measures are required, an Environmental and Social Management Plan (ESMP) needs to be included with the subproject application. The Field Appraisal checklist (Annex 4) will guide the requirements of the ESMP.

An ESMP usually includes the following components:

- Description of adverse effects: A description of the possible adverse effects that the ESMP is intended to deal with are identified and summarized.
- Description of mitigation measures: A description of planned mitigation measures, and how and when they will be implemented. Each measure is described with reference to the effect(s) it is intended to deal with. As needed, detailed plans, designs, equipment descriptions, and operating procedures are described.
- Description of monitoring program: Monitoring provides information on the environmental effects of the subproject – both positive and negative. It helps identify how well mitigation measures are working, and where better mitigation may be needed. The monitoring program should identify what information will be collected, how, where and how often. It should also indicate at what level of effect there would be a need for further mitigation.
- Responsibilities: A description of who will be responsible for implementing the ESMP: the people, groups, or organizations that will carry out the mitigation and monitoring activities are defined, as well as to whom they report and are responsible. There may be a need to train people to carry out these responsibilities, and to provide them with equipment and supplies.
- Implementation schedule: The timing, frequency and duration of mitigation measures and monitoring are specified in an implementation schedule, and linked to the overall subproject schedule.
- Cost estimates and sources of funds: These are specified for the initial subproject investment and for the mitigation and monitoring activities as a subproject is implemented. Funds to implement the ESMP may form part of investment in the subproject. Government agencies and NGOs may be able to assist with monitoring.

The scale of the subproject will determine the length of the ESMP. A small-scale subproject's ESMP can be elaborated in a few paragraphs or in tabular format, keeping it as simple as possible with concrete mitigation actions, timelines and responsible persons.

Annex 6. Grant Conditions

Receipt of the grant should not allow the CIFP to be unduly exposed to risk arising from direct liability or reputational damage. The following standard language relative to environmental matters will be included in all grant documentation. If CIFP representatives have identified any particular environmental risks associated with a particular Grant, they may wish to attach specific environmental conditions to reduce the risk of the activities contemplated under the Grant.

General

(i) The Recipient's operations and activities are in compliance with all applicable environmental, health and safety regulatory requirements; (ii) the Recipient's operations and activities do not involve any activity included in the List of Excluded Activities; and (iii) with respect to the Recipient's operations and activities, to the best of its knowledge and belief after due-inquiry, there are no substantial or material liabilities, claims or unmitigated risks to the Recipient's employees, buildings or offices, or assets due to environmental, occupational health and safety or labour related issues.

Covenant

(i) The Recipient's shall maintain all operations and activities in compliance with all applicable environmental, health and safety regulatory requirements; (ii) the Recipient's operations and activities shall not involve any activity included in the List of Excluded Activities; (iii) with respect to the Recipient's employees, buildings and offices, and assets, take all reasonable and prudent actions to avoid substantial or material liabilities, claims or unmitigated risks due to environmental, occupational health and safety or labour related issues, and if such event does occur, take the appropriate and reasonable actions to adequately resolve and mitigate such liability, claim or risk; and (iv) Recipient shall promptly notify the CIFP of any significant worker health and safety accident or death, material environmental health and safety regulatory non-compliance, or any item related to (ii) above.

Environmental Permits, Laws and Regulations

(i) The (Recipient) shall conduct its business and operations in an environmentally and socially sound and acceptable manner;

- (a) in compliance with applicable environmental laws and permit requirements;
- (b) in accordance with applicable sector guidelines and good industry practices;
- (c) in compliance with environmental and health and safety laws and regulations applicable in the host country.

(ii) Without limiting the generality of the foregoing, the Client shall;

- (a) ensure that potentially adverse environmental effects, from wastewater effluent, surface drainage and air emissions, and any other potential damage to the natural environmental, are adequately permitted and mitigated in the operation, and maintenance of project facilities;
- (b) ensure that appropriate health and safety and environmental protection measures, are being used in connection with the implementation and operation of the (Recipient) facilities.

Administration, Evaluation and Reporting

To assist with reporting process, the CIFP will require that Grantees provide the following information as applicable:

(The Grantee) shall submit to the CIFP, as soon as available, but in any event within (15) working days after the end of the (financial) year, an annual report on environmental and worker health and safety matters relating to the project and its operations, in a form satisfactory to the CIFP, as applicable or relevant:

- (a) The current status of environmental and worker health and safety permits, licenses or other approvals required for their operations [including copies of renewals or modifications of any such approvals].
- (b) A summary of incidents of non-compliance with the application environmental law, [including legal or administrative action or proceedings involving the Client or fines, penalties or increased charges imposed on the Client].
- (c) Progress made on the implementation of the ESMPs as applicable.
- (d) Public complaints/representation, if any.

The report shall state the steps taken or proposed by (the Grantee) to address any problems in the above areas, and shall identify the person at the company with overall responsibility for environmental health and safety matters.

(The Recipient) shall furnish to the CIFP and Caribbean Export immediate notice (within 3 days) of any incident or accident relating to its operations, and likely to have a highly adverse effect on the environment or worker health and safety. In particular, such adverse effect is deemed to have occurred;

- (a) Where the applicable law requires notification of the accident/incident to the authorities;
- (b) Where the accident/incident involves fatality of workers or multiple serious injuries requiring hospitalization;
- (c) Where it has become public knowledge inter alia through coverage in the media.

Annex 7. List of Participants of Stakeholder Consultation

This draft ESMF will be disclosed publicly and comments received will be evaluated and taken into account in preparation of the final version. Details are provided below.

No.	Name	Organization	Phone Number	Email
1		Jamaica Business Development Corporation		
2		Trinidad & Tobago Manufacturers Association		
3		Saint Lucia Trade and Export Promotion Agency		
4		The OECS Competitive Business Unit		
5		Belize Trade and Investment Development Service		
6		Barbados Industrial Development Corporation		