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The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ENVIRONMENTAL MANAGEMENT FRAMEWORK (EMF)
FOR THE
JAMAICA FOUNDATIONS FOR COMPETITIVENESS AND GROWTH PROJECT

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Financial and Private Sector Development
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Latin America and the Caribbean Region

JAMAICA FOUNDATIONS FOR COMPETITIVENESS AND GROWTH PROJECT
ENVIRONMENTAL MANAGEMENT FRAMEWORK (EMF)

Table of Contents

A. Introduction	3
B. Environmental Conditions and Potential Impacts	3
C. Jamaica and World Bank Environmental Requirements.....	4
D. Project Environmental Management.....	8
Annex 1: DBJ Environmental Policy and Management Procedure (EPMP).....	14
Annex 2: Consultation on Draft EMF.....	27

JAMAICA FOUNDATIONS FOR COMPETITIVENESS AND GROWTH PROJECT

ENVIRONMENTAL MANAGEMENT FRAMEWORK (EMF)

A. Introduction

The project development objective of the Jamaica Foundations for Competitiveness and Growth Project (the Project) is to strengthen the business environment in Jamaica for private sector investment.

The Project consists of four components:

- Component 1: Enhancing competition in the business environment
- Component 2: Facilitating strategic private investments
- Component 3: Supporting SME capabilities and finance
- Component 4: Project implementation and M&E

Summary details on these Project components and additional project information is available on the World Bank website.¹

This Environmental Management Framework (EMF) was developed related to the potential World Bank financing of the Project in relation to World Bank safeguard policies. The EMF consists of the following sections:

- Environmental Conditions and Potential Impacts (Section B)
- Jamaica and World Bank Environmental Requirements (Section C)
- Project Environment Management (Section D)

A draft of the EMF was disclosed in May 2014 and a consultation meeting was held in June 2014 with relevant stakeholders (see Annex 2). The final EMF reflects comments and observations received and shall be referenced as part of the Project Operational Manual.

B. Environmental Conditions and Potential Impacts

The specific location of all Project related activities (technical assistance, SME sub-projects, etc.) is not known at this time but they could be located in any part of Jamaica. A general summary of environmental conditions in Jamaica can be found in the National Ecological Gap Assessment report² and the Country Assessment prepared by the Planning Institute of Jamaica (PIOJ).³

¹ For more information, please see: <http://www.worldbank.org/projects/P147665?lang=en>.

² Available at: <http://www.jamaicachm.org.jm/Document/Jamaica%20NEGAR.pdf>

³ http://www.vision2030.gov.jm/Portals/0/Workshops_Reports/JAMAICA%20COUNTRY%20ASSESSMENT%20-%20PRELIMINARY%20DRAFT%20Revised%20%20APRIL2012.pdf

The specific Project components with potential negative environmental impacts are described below. Measures to mitigate/manage these potential environmental impacts and risks are presented in Sections C and D.

- Component 1: Investment climate reforms. The intent of some technical assistance activities under this component is to improve the existing complex construction permitting process, which could indirectly affect environmental aspects if revisions/ updates were to reduce the adequate consideration of potential environmental impacts in the permitting process. The potential risk for these environmental impacts is considered relatively limited.
- Component 2A: Project preparation facility (PPF). The intent of this technical assistance is to finance feasibility and other related studies needed to bring large projects to commercial and financial close. The PPF will only finance studies, not project works. The potential risk is if these studies do not adequately address environmental impacts and risks. While some limited risk is present since these studies will be for projects with more significant potential impacts (i.e., large infrastructure), this risk is offset by the value-added of having these studies better incorporate environmental and social considerations and thus the Bank helping to support the Client in integrating sustainability principles within sub-projects regardless of whether the construction is financed by the Bank.
- Component 2B: The intent is to finance studies and provide technical assistance to increase Government of Jamaica capacity for strategic project origination, planning, and implementation. This will involve assistance with project origination, commissioning and ex-post contract management, and funding critical sector planning studies. While this component is only for technical assistance, there is some risk if the applicable environmental management aspects are not adequately addressed.
- Component 3B: SME finance. The intent is to provide credit for SMEs. This financing of SMEs for working capital or specific project investments could have negative environmental impacts. The SMEs eligible will include a range of sectors, but there is some desired focus on agroindustries, ICT and logistics, and the firms could be located anywhere in Jamaica. On average these are credits in the 100,000 to 300,000 USD range to SMEs (defined as less than 1.5 million USD gross income per year) and thus there is a low potential for sub-project investments to have moderate or high potential significant impacts. Projects classified as Category A under World Bank OP/BP 4.01 are excluded from financing.

The Project involves some activities to enhance environmental management (positive benefits) including: Component 2A (by improving the consideration of environmental aspects by applying international standards to any Environmental Impacts Assessment developed – see Section D); Component 2B (by improving the consideration of environmental aspects in sector planning studies); and Component 3A (by potential inclusion of training on cleaner production and good environmental, health and safety management in SME training).

C. Jamaica and World Bank Environmental Requirements

The environmental requirements applicable to the Project include:

- Environmental, health and safety laws and regulations in Jamaica
- World Bank Environmental Safeguards Policies
- World Bank Performance Standards for Private Sector Activities and Equator Principles for future private sector investments (under Component 2A).

C.1 Jamaica Environmental Regulatory Requirements

Jamaica's national environmental regulatory requirements are prescribed by the Environmental Permit & License System (P&L) of 1997, which is administered by the National Environment and Planning Agency (NEPA). The P&L is a mechanism to ensure that all Jamaican facilities and development projects meet the relevant standards and procedures to minimize adverse environmental impacts during construction and operation of a facility. The P&L was introduced in 1997, as a mechanism to ensure that all developments in Jamaica meet required standards in order to minimize negative environmental impacts.

The P&L System is administered by the National Environment and Planning Agency (NEPA), through the Applications Section (formerly the Permit and License Secretariat). Permits are required by persons undertaking new development which fall within a prescribed category. A list of the categories is provided in Annex 1 (section II.B). Under the NRCA Act of 1991, the NRCA is authorized to issue, suspend and revoke permits and licenses if facilities are not in compliance with the environmental standards and conditions of approval stipulated. An applicant for a Permit or License must complete an application form as well as a Project Information Form (PIF) for submission to the NRCA.

As part of the application process, NEPA reviews the PIF and determines whether or not an EIA is required. If a project does not require an EIA, then the permit may be issued upon payment of the appropriate fees. Permits are typically issued with a validity period of five years. If an EIA is required, then NEPA will develop Terms of Reference (TOR) to address each specific case, and the applicant must then prepare the EIA and submit it to NEPA for review and eventual approval.

C.2 World Bank Environmental Safeguards

Component 1 and Component 2 (PPF and sector planning studies) will have no direct environmental impacts, but if projects/investments informed by Component 2 are implemented in the future there could be some potential indirect environmental implications associated with this project; and, Component 3 (SME-related) may fund activities with direct impacts. Accordingly, OP/BP4.01 (Environmental Assessment) is triggered. The PPF will finance studies and technical assistance for the design, construction, and operation of large investment projects associated with the Logistics Hub Initiative (LHI) or privatization of government assets in the tourism or other sectors that could have environmental implications. In addition, financing of SMEs will include agriculture, manufacturing, tourism and other activities with environmental implications.

The Project is classified as Category B (per OP/BP4.01) given potential impacts associated with Component 3 SME financing and potential risks associated with Component 2 (technical

assistance for project preparation and investment support). No Category A sub-projects will be financed by the Project. The SME projects are anticipated to 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, an Environmental Management Framework (EMF) (this document) has been developed to manage the potential environmental impacts and risks associated. The specific measures are presented in Section D.

This EMF contains the following measures to ensure that other Environmental and Social Safeguards policies⁴ are not triggered by the Project. Relative to the SMEs (Component 3), screening and exclusion criteria have been developed to ensure that the other World Bank Safeguard Policies would not be triggered. These criteria are listed in Annex 1 (part II.A) and will ensure that no projects will be funded which could potentially trigger the following policies:

- Natural Habitats (OP/BP 4.04), which 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), which 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), which 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 requiring training, equipment, and facilities to handle, store, and apply these products properly.
- Involuntary Resettlement (OP/BP 4.12), which 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.

Additional screening and exclusion criteria have also been included in Annex 1 (part II.A) for projects related to forest management or harvesting (which could trigger the policy for Forests OP/BP 4.36) or the construction or rehabilitation of dams (which could trigger the policy for Safety of Dams OP/BP 4.37), and Projects on International Waterways (OP/BP 7.50). There are

⁴Source: <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTSAFEPOL/0..contentMDK:20543943~menuPK:1286597~pagePK:64168445~piPK:64168309~theSitePK:584435.00.html>

no indigenous peoples or disputed areas in Jamaica, so OP/BP 4.10 and OP/BP 7.60 are not germane.

Under Component 2 (PPF-related activities) the project will not finance any actual works or activities, but rather would finance studies. All environmental analysis conducted related to studies to support subsequent private investment activities will consider the potential impacts of the investments, in accordance with OP/BP 4.01, as detailed below.

C.3 Private Sector Environmental Standards

In relation to Component 2, which will only finance studies (no works) related to projects that would be implemented by the private sector, the World Bank Performance Standards for Private Sector Activities will be applied for environmental studies to be developed. The performance standards⁵ are directed towards clients, providing guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities.

There are eight World Bank Performance Standards for Private Sector Activities, with the most fundamental core standard being Performance Standard 1 requiring comprehensive assessment and management of environmental and social risks. The other standards are listed below, and reflect many of the themes in World Bank Safeguards policies:

- 1 - Assessment and Management of Environmental and Social Risks and Impacts
- 2 - Labor and Working Conditions
- 3 - Resource Efficiency and Pollution Prevention
- 4 - Community Health, Safety and Security
- 5 - Land Acquisition and Involuntary Resettlement
- 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources
- 7 - Indigenous Peoples
- 8 - Cultural Heritage

Many private investors may obtain funding not through the World Bank Group, but rather through other institutions, many of which are likely to be Equator Principles Financial Institutions (EPFIs). Over 79 financial institutions in 35 countries have adopted the Equator Principles⁶ as a system to identify, assess, and manage environmental and social risk in projects. While the principles are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making, they also afford an opportunity to promote responsible environmental stewardship and socially responsible development. There are 10 Equator Principles which reflect many of the same core principles and processes as the World Bank Performance Standards for Private Sector Activities.

⁵ Available at: <http://go.worldbank.org/GCH411QCR0>

⁶ Available at: <http://equator-principles.com/>

Any ESIA's funded by the Project under Component 2A will require that they be performed consistent with national environmental legislation and in compliance with World Bank Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts) dated July 1, 2012, the Equator Principles Performance Standard 2 (Environmental and Social Assessment) dated June 4, 2013 and the associated performance standards in both documents determined to be applicable during the assessment process.

D. Project Environmental Management

The Project environmental management aspects, including responsibilities, are presented by relevant Project Components.

D.1 Component 1

The intent of one technical assistance activity to be funded under this component is to improve the existing complex construction permitting process, which could indirectly affect environmental aspects if revisions/updates were to reduce the adequate consideration of potential environmental impacts in the permitting process. The component involves technical assistance only (no sub-project financing). JAMPRO is responsible for this component implementation. The AMANDA system is an automated permitting system that is being piloted by both NEPA and Parish authorities (Kingston St. Andrews Corporation, KSAC). The environmental management for this sub-component will consist of JAMPRO including into the review process the consideration of environmental and permitting aspects in the AMANDA system.

Under Jamaican environmental laws and regulations, most SME projects will require a permit or license from NEPA as well as KSAC (Parish), but not necessarily an EIA. The project will take steps to ensure that SME Applicants (with AFI & DBJ) provide a one-page "project brief" (conceptual plan) and ensure it is forwarded to the 'Help Desk' (public reception facility) at NEPA and KSAC for permitting comment/guidance, as well as entry into the AMANDA automated permit system (or another future on-line permit application system). Both NEPA and KSAC share the AMANDA system, as well as statutory authority from the Town & Country Planning Act, and must be brought into the loop to realistically define national environmental and permit requirements and ensure they are met. This way the permitting would be built into the application and screening process by AFI & DBJ, to further the streamlining and reforming of local permitting.

D.2 Component 2, PPF studies (2A) and sector planning studies (2B)

This component involves a Project Preparation Facility (PPF) to provide technical assistance to finance feasibility and other related studies needed to bring large projects to commercial and financial close. The PPF will only finance studies, not project works, and will be implemented by DBJ. The component will also fund sector planning studies to help Government of Jamaica prepare and implement investment and linkage plans for critical sectors and development needs. PIOJ will be responsible for these studies, given its overall coverage of policy and planning issues.

Recognizing that there are a variety of study types with varying degrees of environmental implications under Component 2, the environmental assessment strategy for the component will include the following for the three major types of studies envisioned:

- Regional scoping and planning documents such as the Master Plan for the Logistics Hub Initiative (LHI) will include an identification of environmental and social assessment needs, definition of TOR elements for future assessments, and an estimation of costs to complete those studies for LHI-related projects such as airports, new manufacturing and warehouse facilities, aircraft repair facility, drydocks, container terminal, and a rail system. This high-level integrated approach to environmental and social assessment within the Master Plan will provide a first tier of assessment for guidance, direction and input for future, more detailed assessments if and as they are subsequently proposed, whether or not such studies are funded by the Bank.
- A second type of study envisioned by the PPF (Component 2A) are in-depth Environmental and Social Impact Assessments (ESIAs) and would be specified to include thorough analysis of regional and cumulative effects, social assessment needs, extensive consultation (including NEPA and in-country authorities to ensure regulatory requirements are incorporated), biological resource assessment, and other elements as identified in the scoping-level first tier assessments. This second tier of assessments would be specified to comply with World Bank Performance Standards for Private Sector Activities and would provide due-diligence information consistent with Equator Principles to meet private investor needs.
- In-country permitting may require EIAs and/or Environmental Management Plans (EMPs) through NEPA. The preparation work by the project would streamline and facilitate the in-country permitting process, as the assessments prepared under Component 2A would be updated to incorporate final technical details and adjustments for submittal to NEPA. It is possible that actual permit preparation activities could be directly funded by the project, or they may be done by private investors using the scoping and assessment work already accomplished, thus providing comfort and confidence by streamlining the final detailed in-country design/permitting steps.

The benefit of this three-tiered approach is that it would satisfy the need for a regional assessment of potential impacts, but without including unnecessary details for future project elements that could substantially change or never materialize. It would also reduce reputational risk to the Bank by presenting an integrated approach at the early planning stages and providing guidance for future assessments to meet Bank policy and safeguards requirements.

Related to all studies with the exception of Environmental Impact Assessments or similar, PIOJ and DBJ shall ensure that adequate consideration of environmental aspects are included in all TORs. This shall include, for example in feasibility studies, the adequate consideration of environmental and social aspects (impacts, risks and benefits) as part of any alternative analysis, public participation in the preparation of the study as relevant, and specific conclusions and recommendations regarding environmental management for the project development and implementation. The initial TOR for each category/type of study shall be drafted by DBJ and

submitted through PIOJ to the Bank for no objection. All subsequent studies shall use the acceptable standard TOR text related to environmental aspects and any project/study specific text needed. The standard request for proposal for such studies shall include the TOR, identify the specific technical experience and skills needed to address environmental aspects, and require the inclusion of such expertise in the study development. All draft study reports shall be reviewed by PIOJ and DBJ regarding the environmental aspects. PIOJ and DBJ shall, as needed, request the review/input from environmental technical experts. The draft reports shall be provided to the Bank for no objection. PIOJ and DBJ shall ensure that all applicable comments are addressed in the final report.

Related to all Environmental Impact Assessments (EIA) or other environmental studies, PIOJ and DBJ shall ensure adequate considerations of environmental aspects are included in all TORs. The TOR for any EIA or similar study shall require that such study comply with (1) all applicable Jamaica environmental regulatory requirements and (2) World Bank Performance Standards for Private Sector Activities and any applicable requirements in Equator Principles. The TORs shall include: adequate consideration of alternatives, potential indirect and cumulative impacts, preparation of the EIA to include public participation, preparation of an environmental management plan, and estimation of costs for implementation of environmental management plan. The TOR shall also include the requirement to prepare a letter report (separate from the EIA) that identifies the necessary/recommended steps to obtain the NEPA environmental approvals and any recommendations on environmental aspects to be considered in the project bidding or related contracts. The associated Request for Proposal (RFP) for such studies shall include the TOR, identify the specific technical experience and skills needed to address environmental aspects, and require the inclusion of such expertise in the study development. PIOJ shall ensure adequate resources are available to develop the EIA or related study given the TORs. PIOJ shall prepare a draft TOR and RFP for each such study and shall be submitted to the Bank for no objection. PIOJ shall notify the Bank of the proposed selected consultant. PIOJ shall work with the selected consultant regarding adequate public participation in the development of the study. PIOJ as needed shall request support of an environmental technical expert to assist in the study execution review (e.g., development or review of draft TORs, assistance or guidance to selected consultants in the development of the studies, and technical review of draft report). All draft study reports shall be reviewed by PIOJ. All draft reports shall be provided to the Bank for no objection. PIOJ shall ensure that all applicable comments are addressed in the final report. PIOJ shall take reasonable efforts to ensure the inclusion of the EIA as part of any project financing.

PIOJ shall explore with NEPA (National Environmental Planning Agency) a potential agreement for technical support by NEPA in the execution of this component. Specifically, this could include the review of draft TORs, assistance or guidance to selected consultants in the development of the studies (in particular an EIA or related), and technical review of draft reports.

D.3 Component 2B, technical assistance for investment support

This sub-component provides technical assistance to project investments related to project origination, project commissioning and ex-post contract management. This sub-component is the

responsibility of DBJ, with close involvement of JAMPRO regarding project commissioning. The environmental management for this sub-component will consist of the following:

- PIOJ, DBJ and JAMPRO shall take reasonable efforts to ensure the adequate inclusion and consideration of environmental aspects in project origination. For example of key or significant environmental related risks, costs or positive opportunities.
- PIOJ and DBJ shall take reasonable efforts to ensure the adequate inclusion and consideration of environmental aspects in project commission. This shall include the inclusion of adequate terms and conditions related to environmental aspects in project bidding documents, concession or related contracts, and contract management contracts. For projects developed in which Project Component 2A funds were used to prepare an EIA or similar study, project bids and concession contracts shall include the requirement to comply with (i) Jamaica environmental health and safety regulatory requirements, (ii) the final EIA or similar study, and (iii) any other applicable project-specific environmental risk management requirement. For all other projects, project bids and contracts shall require compliance with (i) Jamaica environmental health and safety regulatory requirements, and (ii) any other applicable project-specific environmental risk management requirement including that would be consistent with WBG Performance Standard requirements. PIOJ shall consult with the Bank regarding potentially appropriate environmental terms and conditions to include in bids and contracts.
- PIOJ and DBJ shall take reasonable efforts to ensure the adequate inclusion and consideration of environmental aspects in project ex-post contract management. This shall include the inclusion of adequate terms and conditions related to environmental aspects in project TORs and contract, including supervision of environmental health and safety aspects and that the consultant/firm have assigned specialists with adequate environmental, health and safety experience. The TOR and contract shall require that the consultant/firm promptly notify the concession/contractor, the contracting entity, PIOJ and DBJ of any material non-compliance. PIOJ and DBJ shall take reasonable actions to have such non-compliance adequately resolved in a reasonable time period. If the non-compliance is not adequately resolved in a reasonable time period, then PIOJ and DBJ shall inform the Bank and shall terminate the contract for the supervision of such project.

D.4 Component 3B

This component involves:

- A credit line for SME loans in which DBJ will act as an apex institution and on-lend to other approved financial institutions (AFIs) that meet established criteria. AFIs can access funds by: requesting funding from DBJ for individual eligible credits to SMEs or requesting a revolving multi-year credit line and then the AFI on lends to a SME. This financing of SMEs is for working capital or specific project investments. The SMEs eligible will include a range of sectors, and could include tourism, agroprocessing, agricultural production, energy, manufacturing, warehousing, IT, or services, and could be located anywhere in Jamaica. On average these are credits in the 100,000 to 300,000

USD range to SMEs (defined as less than 1.5 million USD gross income per year). It is envisioned that approximately 5 AFIs will be involved.

Projects not eligible for financing by the Project Component 3 are listed in Annex 1 (part II.A).

The environmental management for this sub-component will consist:

- For AFIs requesting a line of credit, DBJ shall perform an environmental due-diligence of the AFI to ensure that the AFI has, or will have prior to first disbursement of the line of credit, an adequate environmental risk management procedure for the SME financing (see Annex 1, part II for environmental risk management procedure). DBJ shall require, as part of the line of credit financing agreement between DBJ and AFI, that the (i) the AFI implements the agreed upon environmental risk management procedure, (ii) the AFI includes in the financing agreement with each SME the environmental requirements as established from the implementation of the environmental risk procedure, (iii) undertakes appropriate loan administration actions commensurate with the level of risk for the SME investments (which in general should be low), (iv) promptly informs DBJ shall any significant environmental issues or regulatory non-compliance occur with a SME financed, and (v) provide DBJ with an annual report on its implementation of the environmental risk procedure. Upon execution of the agreement, the AFI shall inform DBJ who is the person designated as responsible for the environmental related aspects. If DBJ identifies issues related to the AFI implementation of the environmental requirements, then DBJ shall work with the AFI to define appropriate corrective actions. DBJ shall take reasonable efforts to provide technical support, as needed, to the AFI in its development of implementation of its environmental risk procedure.
- For AFIs requesting a funds/financing for a specific SME (i.e., not via an AFI line of credit), DBJ shall require that the AFI provide the necessary information/document as specified in the of the environmental risk procedure. DBJ shall review such information and if deemed acceptable, approve the financing from an environmental perspective but this shall not imply financing of the SME due to other requirements. DBJ shall ensure that the financing agreement for the SME includes the environmental requirements as established from the implementation of the environmental risk procedure.
- DBJ shall require that where applicable applicants provide a copy of a project brief or conceptual plan as submitted to NEPA and the Parish authority, and an enquiry to the “Help Desk” or DAHD for permitting guidance, as well as for eventual entry into the AMANDA automated permitting tracking system. DBJ also will require that any necessary local and federal permits be obtained by the applicant prior to any first disbursement to applicants (See Annex 1, part II for additional details).
- DBJ should identify potential guidelines or good practice documents on environmental management for the key sectors to be financed. The objective is to help SMEs move beyond just compliance to cleaner production and improved environmental sustainability that would help reduce costs (e.g., due to use of less water and energy, generation of less wastes, etc.) and potential environmental problems. These would be made available, for

example via AFIs, and their use or implementation would not be mandatory. However it may actually create SME financing opportunities should a SME desire financing to move to cleaner and environmentally more sustainable production.

D.5 Component 4

This component includes capacity building and technical assistance. Relative to Component 2, PIOJ will use a qualified environmental consultant to assist with the PPF relative to evaluation of TORs for ESIA on large infrastructure projects. For Component 3, DBJ will staff an environmental and social risk management specialist in the Strategic Services section .

With World Bank assistance, DBJ will identify and implement appropriate training on environmental risk management for AFI and DBJ staff, and also potentially for staff from small and medium enterprises who obtain financing. PIOJ may also identify public outreach and training opportunities for environmental impact assessment of large infrastructure or privatization projects, SME skills upgrading, and consultation plans for stakeholder engagement.

Annex 1: DBJ Environmental Policy and Management Procedure (EPMP)

The following information describes the Development Bank of Jamaica's environmental policy, screening procedures, and management system, which will be applied throughout implementation of the Project Component 3. The EPMP will be used to screen and assess applications, document the appraisal results, identify relevant requirements and perform loan administration.. This EPMP (section II) also constitutes the requirements for AFIs who receive a line-of-credit as part of project Component 3.

I. Statement of Policy and Purpose

The DBJ aims to be the premier development finance institution in Jamaica mobilizing resources to support investment toward national economic growth and sustainable development. To that end, DBJ is committed to:

- Environmental support in all areas of its operations;
- Continuously support the improvement of environmental performance through an environmental management system;
- Ensuring environmentally responsible financial investment and development;
- Fostering environmental due diligence within associated financial institutions (AFI's) with respect to risk and impact assessment and management;
- Compliance with relevant laws, regulations and standards within Jamaica;
- Promotion of the environmental policy and management system among all members of the AFIs/DBJ through training and awareness programmes;
- Supporting the Sustainable Development Policy of the Government of Jamaica.

DBJ, as well as the AFIs who participate with DBJ in Component 3 of the project, must follow the SME application processing procedures, credit documentation, and loan administration, evaluation and reporting procedures in this EPMP (see Section II).

II.SME Application Processing Procedures

The SME application procedures will follow a set of steps which are designed to ensure that environmental considerations are taken into account. The steps are summarized in the checklist below, for which the applicable steps must be completed and approved as part of the application process.

- ✓ Has the project activity been compared to the Exclusion Checklist (Step 1)?
- ✓ If any new local or federal permitting is required, has the project brief been filed with NEPA and the Parish (Step 2)?
- ✓ Has the project been screened/assessed for environmental impacts (Step 3)?
- ✓ If an (optional) site visit is required, have the evaluations been completed (Step 4)?
- ✓ Have all required environmental and building permits been obtained (Step 5)?
- ✓ Have environmental and social clauses and conditions been included in the loan agreement (Step 6)?

DBJ or the AFI will ensure that the steps outlined above are completed before execution of the legal agreement for the loans to SMEs. DBJ or the AFI may develop additional formats, templates and guidance as desired throughout the course of the project implementation to assist in its environmental management activities.

II.A. Step 1 –Exclusion List

The following project activities are not eligible for financing under Project Component 3:

- Those that are illegal under Jamaica 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 critical natural habitats or 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
- Projects on international waterways (in Jamaica, any bay, gulf, strait, or channel recognized as a necessary channel of communication between the open sea and other states).
- Weapons and munitions
- Alcoholic beverages (excluding wine and beer)⁷
- Tobacco⁸
- Gambling, casinos and equivalent enterprises⁹
- Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)¹⁰
- Radioactive materials¹¹
- Unbounded asbestos fibers¹²

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

⁸This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue

⁹This does not apply to companies for which the operations/activities related to these criteria comprise less than 10 percent of companies total annual revenue

¹⁰www.cites.org

¹¹This 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

- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest¹³
- Polychlorinated biphenyl compounds (PCBs, a class of synthetic organic chemicals)
- Pharmaceuticals subject to international phase outs or bans¹⁴
- Pesticides/herbicides subject to international phase outs or bans¹⁵
- Ozone depleting substances subject to international phase out¹⁶
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Transboundary trade in waste or waste products¹⁷, except for non-hazardous waste destined for recycling
- Persistent Organic Pollutants (POPs)¹⁸
- Non-compliance with workers fundamental principles and rights at work¹⁹
- Significant degradation of a National Park or similar protected area²⁰
- Real estate speculation
- Land acquisition that would involve involuntary resettlement or land acquisition in which there is not a willing seller

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

¹³ 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.

¹⁴ 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)

¹⁵ 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).

¹⁶ 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).

¹⁷ Define by the Basel Convention (www.basel.int).

¹⁸ 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)

¹⁹ 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)

²⁰ 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).

II.B. Step 2 – NEPA and Parish Permitting

Many project types require environmental permits under the Natural Resources Conservation Authority Act. Prescribed categories are listed below pursuant to Section 9 of the Act. Parish authorities will also require building and/or zoning permits for projects which change land use, emissions, or require construction. In many cases it is expected that the applicant's current Permit status is current and no new permitting is required. However, in cases where an applicant would require new permits to be obtained or existing permits to be amended, DBJ or the AFI shall require evidence that such applicants have begun that process and have provided a project brief or conceptual plan to NEPA and the Parish authority, and an enquiry to the "Help Desk" or DAHD for permitting guidance, as well as for eventual entry into the AMANDA automated permitting tracking system. DBJ or the AFI shall require sufficient evidence that all applicable environment-related permits are in hand before SME loans are eligible for first disbursement, as explained in Step 5.)

The list below is intended to assist DBJ and the AFI in their screening of whether or not a NEPA Permit would be required by a particular SME applicant.

Prescribed Categories for NEPA Permits

Infrastructure

- Power generation plants, including hydro-electric plants and installation for the harnessing of wind power for energy production and nuclear reaction above 1 MW
- Electrical transmission lines and substations greater than 69 kv
- Pipelines and conveyors, including underground cables, gas lines and other such infrastructure with a diameter or more than 10 cm, for the transport of gas, oil or chemicals Port and Harbour Development
- Shipyards Marinas and Boatyards

Development projects

- Subdivisions of 10 to 50 lots or more
- Housing projects of 10 – 50 houses or more
- Hotel/resort complex of 12 to 50 rooms or more
- Airports and airfields, including runway expansion greater than 20% of the original length
- Office complexes of 5,000 square metres or greater
- Eco-tourism and nature tourism projects
- Water treatment facilities, including water supply and desalination plants
- Sewage and industrial wastewater treatment facilities

Mining, quarrying and mineral processing

- Bauxite, Peat, Sand, Minerals, including aggregate, construction and industrial materials, Metallic, Non-metallic

Metal processing

- Ferrous metals, Non-ferrous metals, Metal plating, Foundry operations

Industrial Projects -

- Chemical plants
- Pulp, paper and wood processing
- Petroleum production, refinery, storage and stockpiling
- Fish and meat processing
- Food processing plants
- Detergent manufacturing, including manufacturing of soap
- Manufacturing of containers and package materials, including cans, bottles, boxes and cartons
- Distillery, brewery and fermenting facilities
- Manufacturing of edible fats, oils and associated processes
- Cement and lime products
- Paint manufacture
- Tanneries
- Manufacturing of Pesticides or other hazardous or toxic substances
- Boxing plants
- Citrus, coffee, cocoa, coconut, sugar cane processing factories
- Manufacturing of textiles
- Solar salt production
- Construction of new highways, construction of arterial roads, construction of new roads on slopes greater than 20°, major road improvements projects, including construction of a road of four or more lanes or realignment or widening of an existing road into four lanes where such road realignment or widening would be 10 km or more in continuous length
- River basin development and improvement projects
- Irrigation and water management and improvement projects
- Land reclamation and drainage projects
- Watershed development and soil conservation projects, including river training such as river channel diversion works and works for the transfer of water resources between river basins, check dams and retaining walls
- Modification, clearance or reclamation of wetlands
- Dredging, excavation, clearing and reclamation of riverine, swamp, beach, wetlands or marsh areas
- Solid waste treatment and disposal facilities, including waste disposal installations, for incineration and chemical landfills or systems for the destruction, reprocessing or recycling of such wastes
- Cemeteries and crematoria
- Introduction of species of flora, fauna and genetic material
- Introduction of genetically modified organisms
- Slaughterhouse and abattoirs
- Hazardous waste storage, transportation, treatment or disposal facilities
- Agro-processing and processing of agricultural wastes
- Felling of trees and clearing of land of 10 hectares or more
- Clearing cutting of forested areas and clearing of trees on land of 3 hectares and over on slopes greater than 25°
- Golf courses
- Theme parks

- Transportation centres for more than 10 vehicles
- Construction or demolition of reservoirs, dams, dykes and aqueducts
- Railways, tramways and cable car operations
- Causeways and multiple span bridges
- Hospitals
- Shopping centres
- Aquaculture facilities and ponds and intensive fish farming
- Storage of scrap metal including derelict vehicles
- Offshore drilling for extraction of oil, natural gas or minerals
- Dry cleaning operations

II.C. Step 3–Evaluation of Environmental and Social Risk

Some site-specific issues may present relatively high environmental risks and/or impacts. The following screening mechanism (checklist, Step 3 below) will be used to identify sites that may present these concerns, and will be included in the SME loan application package along with a statement from the SME that the project is not on the exclusion list (Step 1) and copies of the permit processing items (Step 2). The SME loan package will help identify whether the loan would require additional investigation by the AFI or DBJ person assigned to evaluate and appraise the SME loan under consideration.

The checklist below will be filled out by the SME with assistance from DBJ and/or the AFI and included in the loan package as a screening or reference to make a preliminary decision whether a particular proposed activity or project may exhibit compliance problems, significant environmental or social risk, or complex or sensitive environmental conditions. Projects that have any of the conditions in the checklist would be considered as potentially having significant environmental or social risk, and would bear further investigation and/or a site visit by DBJ and the participating AFIs.

Environmental Screening Checklist

1. Does the existing enterprise lack a valid operating permit, licences, approvals etc.?
2. Does the existing enterprise fail to meet all Jamaican environmental regulations regarding air, water and solid waste management?
3. Does the existing enterprise have any significant outstanding environmental fees, fines or penalties or any other environmental liabilities? Examples include:
 - lack of permit from NEPA or Parish
 - legal claims against the company due to environmental or social issues
 - contaminated soil or areas stained with chemical releases
 - drums, waste pits, stockpiled chemicals
 - dead or stressed vegetation
 - contaminated waterways, canals or ditches
4. Have there been any complaints raised by local affected groups or NGOs regarding conditions at the facility? Examples include:
 - material complaints from the public within the last three (3) years related to environmental, social, or health and safety aspects
 - 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.)
5. Will the sub-project generate water effluents that:
- are different than currently discharged and would therefore require a new permit
 - violate Jamaican effluent standards
 - result in a long term violation of Jamaican water quality standards
 - contaminate public drinking water supply
 - contaminate underground water resources
 - harm fish or aquatic ecosystems
 - contaminate a natural habitat or protected area
 - are difficult, expensive, or hard to control
 - are inconsistent with World Bank Environmental Health and Safety (EHS) Guidelines (general or industry specific as applicable)
 - alter downstream river basin characteristics
6. Will the sub-project generate air emissions that:
- are different than currently discharged and would therefore require a new permit
 - violate Jamaican air emission standards
 - result in a long term violation of Jamaican air quality standards
 - release pollutants that affect downwind sensitive receptors (hospitals, schools, population centers, sensitive crops etc.)
 - harm sensitive ecosystems (e.g. forests)
 - impact a natural habitat or protected area
 - are difficult, expensive, or hard to control
 - are inconsistent with World Bank EHS Guidelines (general or industry specific as applicable)
7. Will the sub-project generate noise levels that:
- violate Jamaican noise standards
 - impact particularly sensitive receptors (natural habitats, hospitals, schools, local population centers)
 - are inconsistent with World Bank EHS Guidelines (general or industry specific as applicable)
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 World Bank EHS Guidelines (general or industry specific as applicable)
 - 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:
- protected areas or areas under consideration by the Government for official protection status?
 - forested areas
 - coastlines, wetlands, or other bodies of water
 - river valleys where well-preserved vegetation still exists
10. Will the sub-project potentially impact areas of known local, regional or national cultural heritage significance?
These may include:
- historical structures
 - archeological sites
 - buildings or areas not officially protected but recognized by the local population as significant
11. Has the local population or any NGOs expressed concern about or opposition to the sub-projects' environmental aspects, such as:
- material complaints from the public within the last three (3) years related to environmental, social, or health and safety aspects
 - 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.)
12. Has the local population or any NGOs expressed concern about or opposition to the sub-projects' environmental or social aspects, such as:

- material complaints from the public within the last three (3) years related to environmental, social, or health and safety aspects
- proximity to sensitive social areas (schools, hospitals, elderly or young populations, vulnerable communities)
- significant reduction in company's labor force
- public opposition from labor unions, political activists, etc.

13. Is occupational health and safety adequately addressed in the company's day to day operations, and are the following routinely included and accomplished:

- identification of hazardous tasks and training as required?
- use of personal protective equipment (dust masks, hard hats, work boots, etc.) as required?
- first aid and emergency plans?
- supervision and enforcement of rules and regulations regarding health and safety?
- road safety, safe ingress and egress to the property for delivery and equipment?
- accident and incident reporting, investigation and resolution?

14. Additional social safeguards screening information:

- Will the sub project activities reduce other people's access to their economic resources, like land, pasture, water, public services or other resources that they depend on?
- Will the project result in resettlement of individuals or families or require the acquisition of land (public or private, temporarily or permanently) for its development?
- Will the project result in the temporary or permanent loss of crops, fruit trees and household infra-structure (such as granaries, outside toilets and kitchens, etc.)?
- Might the project adversely affect vulnerable people and underserved groups (e.g., elderly poor pensioners, physically challenged, women, particularly head of households or widows, etc.) living in the area?

II.D. Step 4 – Site Visit

If a loan application should involve any factors that may represent potential significant or material environmental or social risks, as determined from Step 3 above, a site visit should be done by the DBJ and/or participating AFIs. A site visit will help assess the state of the company operations, in particular housekeeping, worker health and safety, and environmental, health and safety, and human resources management issues. Site visits must be made to all companies where high environmental and social risk activities take place.

The checklist below will assist in conducting the site visit. The checklist should be used in conjunction with the relevant sub-sectoral guideline from NEPA or other application regulatory agency, to ask relevant question of the company management during the site visit. If the credit officer, after conducting the site visit, feels that there are significant unresolved issues of concern, then an environmental or social consultant or specialist can be retained to conduct an additional audit of the site. The advice and guidance provided by the environmental and social experts should aid the decision-making process of the responsible credit officer.

Site Visit Environmental Checklist

- (1) Key Processes (List the key processes, using the appropriate sub-sectoral guideline)
- (2) Environmental Risks (List the key issues form appropriate sub-sectoral guideline and discuss how management control these risks)
- (3) Environmental Opportunities (List the key opportunities, from the appropriate sub-sectoral guideline, and discuss these with management 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 compliant with environmental impact assessment requirements?
- Is the company aware of their legal obligations in the future through for example, changes in environmental legislation due to accession to the EU? Has the company made plans to comply with this legislation?

(7) Reputational Issues

- Is the company exposed to reputational risk through its activities or local impact on the environment (e.g. trading in a hazardous product, high local emissions disturbing the local community)?
- What steps has the company taken to control its reputation on environmental issues (for example, public information on environmental management, open days for local community groups)?

(8) Market Issues

- What are the environmental standards or expectations of the company's market; is the customer meeting these, and how might they change in the future?
- Is the company reliant on the environmental standard of any supplied product and, if so, can the customer rely on this supply in the future?

(9) Managerial 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)?

(10) Conclusions and Recommendations

Add any conclusion and recommendation, including:

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

Recommendations for environmental management by AFIs or reporting by the SMEs throughout the life of the loan may also be included in the site visit report and incorporated into the credit documentation.

II.E. Credit Documentation

The outcome of the environmental and social risk evaluation should be summarized and included in the documentation submitted in the loan application. Following the evaluation and documentation of environmental and social risk, DBJ or the AFI is in a position to accept the loan, subject to measures being taken to control the risk, or to reject the loan due to unacceptably high risk.

The following standard language relative to environmental and social matters will be included in all SME loan documentation as the sixth and final Step before loans are executed or first disbursements made by DBJ or AFIs:

Representations and Warranties

(i) the Borrower's operations and activities are in compliance with all applicable environmental, health and safety regulatory requirements; (ii) the Borrower's operations and activities do not involve any activity included in the List of Excluded Activities; and (iii) with respect to the Borrower'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 Borrower's employees, buildings or offices, or assets due to environmental, occupational health and safety or labor related issues.

Covenant

The Client shall:

- (i) Maintain all operations and activities in compliance with all applicable Jamaica environmental, health and safety regulatory requirements, including laws, regulations and applicable permits/authorizations;
- (ii) Ensure that all required permits are obtained and in force through the life of the loan agreement
- (iii) Not undertake any operation or activity included in the List of Excluded Activities;
- (iv) Ensure that potentially adverse project-related environmental effects, from wastewater effluent, surface drainage and air emissions, and any other potential damage to the natural environmental, are adequately and mitigated.

- (v) With respect to the Client'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 labor related issues, and if such event does occur, take the appropriate and reasonable actions to adequately resolve and mitigate such liability, claim or risk.
- (vi) Ensure that appropriate health and safety and environmental protection measures, are being used in connection with the implementation and operation of the facilities
- (vii) Promptly notify the Lender of any incident or accident relating to its operations which could have a significant or material adverse effect on the environment or worker health and safety, such as worker health and safety accident resulting in death, hospitalization or more than 5 days of loss worker time, material environmental health and safety regulatory non-compliance. The notification should include actions to resolve the issue/incident.
- (viii) Submit within 45 days after the end of the calendar year, a statement on environmental and worker health and safety performance, including current status of compliance with all applicable environmental and worker health and safety regulatory requirements, summary of actions any incidents of non-compliance in the last calendar year, list of any material public complaints or any material legal claims related to environment, health or safety.

Environmental, Health and Safety Permits, Laws and Regulations

(i) The Client shall ensure that all required permits are obtained and in force through the life of the loan agreement. Where applicable the Client shall 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.

(ii) The Client shall ensure that appropriate health and safety and environmental protection measures, are being used in connection with the implementation and operation of the facilities.

(iii) Additional recommendations from the site visit or by the environmental expert audit may include as applicable the following optional conditions or restrictions;

- (a) as applicable, any project specific environment clause which should be added to the SME finance agreement; and
- (b) as applicable, any project specific loan administration (i.e., if supervision by AFI or reporting by SME is required)

Reporting

The Client shall furnish to the Bank immediate notice (within 3 days) of any incident or accident relating to its operations which had an 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 worker(s) or multiple serious injury requiring hospitalisation.

The Client shall submit to the AFIs and/or DBJ, as soon as available, but in any event within (...) 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 Bank, which shall include

copies of any information on environment matters that the Company may have to make available to the authorities and, in any event:

- (a) The current status of environmental and worker health and safety permits, licences or other approvals required for (...) 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 any improvements recommended for environmental management or performance.
- (d) Worker health protection and safety initiatives [including training programmes] taken by the Client.
- (e) Public complaints/representation, if any.

The report shall state the steps taken or proposed by (...) 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.

II. F. Loan Administration, Evaluation and Reporting

As part of loan administration, DBJ will maintain information on SME performance in its portfolio, and will require AFIs to do the same. The DBJ will require the following information of AFIs annually, and will provide a summary report annually with the following information for the SME portfolio funded by the project:

1. Breakdown of portfolio by type of transaction, industry sector and environmental risk classification (low, medium and high environmental risk clients).
2. Describe how environmental procedures have been integrated into the transaction approval process.
3. Give details of any transaction 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 borrowers 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 borrowers with environmental covenants/conditionality imposed by the Bank.
6. Give details of any loans/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. Give details of any bad loans due to environmental problems.
8. Describe how the borrowers' environmental performance is monitored (e.g. site visit by Bank staff; inspection by environmental/health authorities; copies of updated permits, reports from the borrower).
9. Specify name and position of the individual(s) formally responsible for the implementation of the environmental procedures.

10. State any difficulties and/or constraints related to the implementation of the environmental procedures.

Based on the results of the annual reporting, DBJ will utilize and evaluate this information to continually improve and adapt its Environmental Policy and Management System. Follow-ups on individual SMEs will be performed if deemed necessary.

Annex 2: Consultation on Draft EMF

The consultation on the draft EMF was held in June 2014 at the Planning Institute of Jamaica (PIOJ) and was well attended by stakeholders. A list of registrants appears below. After a short presentation, an open discussion was held with a number of useful observations presented by the attendees. It was explained that additional consultations for future activities will be held through EIAs under Component 2, and under both Components 2 and 3 if and as required by national law and NEPA permitting.

Most of the discussion centered on Component 3. Chief among the concerns was the desire to ensure that SMEs do not perceive roadblocks or bureaucratization of the access to funding for their businesses. In response to this concern it was clarified in the EMF that not all checklists would apply to all applicants, and that DBJ and AFIs would be available to provide assistance to applicants with processing the applications. The draft EMF was modified to clarify that the project will rely on country systems such that if existing Permits are adequate then no new unnecessary permits would be imposed. In addition, the checklist in Step 3 was simplified to remove “fine print” and it was emphasized that DBJ and AFIs should adapt the screening checklists to simplify or streamline them as they choose, so long as the main elements and intents of environmental protection remain.

It was also recognized that providing such assistance, as well as performing the annual reporting functions, would require increased time and effort on the part of DBJ and the AFIs. In response it was clarified that DBJ will take a lead role in assisting not only SMEs but the AFIs as well; and that DBJ will staff additional support as part of the project. It was also clarified in the EMF that the annual reporting requirement only would apply to the portfolio activities which were actually funded by the project. Finally, it was clarified that during implementation there will be continued dialogue to refine details and improve the effectiveness of project execution by all parties.

Table 1: Participants at June 27, 2014 EMF Consultation

Name	Organization	Name	Organization
Pamela Douglas	Bank of Nova Scotia	Collin Yarru	National Commercial Bank
Edison Galbraith	Development Bank of Jamaica	Andrea Wiggins	National Commercial Bank
Derrick Gayle	Environmental consultant	Renee Walcott	National Environment Planning Agency
Shullette Cox	JAMPRO	Nadine Brown	Planning Institute of Jamaica
Marjorie Straw	JAMPRO	Barbara Scott	Planning Institute of Jamaica
Andrine McLaren	Kingston and St. Andrew Corporation	Winsome Miller	Planning Institute of Jamaica
Douglas Webster	Ministry of Industry, Investment and Commerce	Doneika Simms	Planning Institute of Jamaica
Nicholas Isaacs	Ministry of Finance and Planning	Saskia Frater Smith	Planning Institute of Jamaica
Carline Irving	Ministry of Finance and Planning	Mike Darr	World Bank