

Practical Guide

Assessment of Environmental and Social Sustainability and Climate Change Risk Management ('Climate Proofing')

(December 2009)

1. Introduction and Rationale

Assessment of the environmental and social sustainability and climate change risks of development projects needs to be based on an understanding of the links between development, poverty alleviation, climate change and the environment. The key rationale for assessing environmental and social sustainability and climate change risks is to improve decision making, to ensure that development activities under consideration are sound and sustainable, and that potentially affected people have been properly consulted.

Climate change will affect all aspects of development cooperation. The vulnerability of development projects is a function of the type of infrastructure it establishes, the activities it supports, and its geographical location. Projects within infrastructure (hydropower, transport, water) and industrial use of natural resources, including extractive industries (mining, petroleum), normally cause the most severe environmental and social impacts and are most at risk to climate change, while social sector projects cause less impacts.

2. Assessment and Decision

A. Environmental and Climate Change Risk Screening

All development projects should be screened and classified according to their potential environmental and social impacts and climate change risk¹.

As part of the review of a project's expected social and environmental impacts and the climate change risk, the development project should be classified in three categories, depending on the type, location, sensitivity, and scale of project, the nature and magnitude of its potential environmental and social impacts and the associated climate change risks:

Category A

Development projects likely to cause significant adverse social and/or environmental impacts that are diverse, irreversible or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. For large scale projects within sensitive sectors (agriculture, water resources, energy, coastal development and management and other infrastructure (e.g. roads)) subject to climate risks a climate risk assessment should be performed.

Category B

Development projects with potentially limited adverse social and/or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Selective climate risk assessment is required

¹ Grant managers are encouraged to familiarize themselves with the World Bank's, including the International Finance Corporation (IFC), safeguard policies since many development partners use these in their environmental and social assessment process.

in particular for projects with strong components related to water and in climate sensitive risk areas (e.g. integrated rural development, agriculture, energy, water supply and sanitation).

Category C

Projects with minimal or no adverse social or environmental impacts or no climate change risk. Includes development projects that are not affected in any significant way by climate, and not affecting external vulnerabilities.

Depending on the project and the nature and magnitude of its risks and impacts, instruments like environmental and social impact assessment (ESIA) and strategic environmental assessment (SEA) are used. An ESIA evaluates a project's potential environmental risks and impacts in its area of influence, examines alternatives, identifies ways of improving planning, design and implementation by preventing, minimizing, mitigating or compensating for adverse environmental impacts and enhancing positive impacts. Preventive measures should be favoured over mitigating or compensatory measures, whenever feasible. A SEA is often applied at the very earliest stages of decision-making both to help formulate policies, plans and programmes and to assess their potential development effectiveness and sustainability.

The grant recipient is responsible for preparation of an ESIA according to national laws and regulations. For Category A activities an independent ESIA is required, i.e. not carried out by the same consultant hired to prepare technical, financial, institutional and economic studies. The ESIA should provide input to the feasibility study, i.e. be prepared in parallel. Independent environmental and social assessments should also be prepared for initial feasibility (pre-feasibility) and siting studies.

The grant recipient should engage with project-affected groups and communities through disclosure of information, consultation, and informed participation, in a manner commensurate with the risks to and impacts of the affected groups and communities, aiming at obtaining broad community support for the project within the affected groups and communities. For Category A activities, the grant recipient consults project-affected groups and communities at least twice: (a) shortly after environmental screening and before the terms of reference for the ESIA are finalized; and (b) once a draft ESIA report is prepared. In addition, the grant recipient consults with project-affected groups and communities throughout project implementation as necessary to address environmental and social issues that affect them. For countries which are signatories to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) the consultations with indigenous peoples should be based on the concept of free, prior and informed consent (FPIC).

B. Appraisal – Expert Guidance

The Appraisal assesses the relevance, feasibility and potential risks and sustainability of a development project. If social and environmental impacts and climate change are identified as a critical sustainability element and a possible risk factor the Appraisal shall ascertain that all relevant questions are assessed, and if necessary, recommend that more information is provided. Together with a summary of the findings the document shall give specific recommendations of possible amendments to the programme. The amendments should be reflected in a revised Application from the grant recipient, if possible.

In the appraisal the relevance, completeness and quality of the environmental and social aspects and suggested preventive measures and mitigation procedures should be assessed. The assessment in the Application or the conclusions drawn in the review of the ESIA should be summarized in the appraisal focusing on (these questions can also form the basis for including environmental and social issues, including climate change, in the ToR for appraisal/expert guidance):

- Have the key environmental and social issues been addressed? Have the anticipated impacts of climate change in the programme area been identified?
- Are there significant and/or irreversible environmental and social impacts of the project?
- Have alternatives (if relevant) been considered to help avoid or minimize adverse impacts?
- Are the measures proposed to be taken by the grant recipient sufficient to address the key environmental and social issues?

- Have relevant and reasonable adaptation measures aimed at reducing climate change impacts (reduce the vulnerability of the project to climate variability and change) and improve development outcomes been identified?
- Have an assessment of the capacity of the grant recipient to plan and implement the measures described been undertaken and has the responsibility for implementing mitigation measures been defined?
- Have consultations with affected groups and communities been adequate? Is the gender dimension addressed? If indigenous peoples have been identified as project-affected, is the project in compliance with indigenous peoples' rights and have indigenous peoples been consulted in accordance with requirements in UNDRIP (where applicable)?
- Have the project's contribution to emissions of greenhouse gases (GHGs) or reduction in emissions as a consequence of implementation of the activity been estimated?

The appraisal/expert guidance should provide an overall recommendation and possible amendments to these recommendations as a result of the appraisal. If the Grant Manager based on the appraisal makes the assessment that the environmental and social impacts would be unacceptable, Norwegian support should be rejected. If an ESIA is carried out and considered inadequate a more extensive ESIA should be requested from the grant recipient. The recommendations should be discussed with the grant recipient.

C. Decision Document

The *Decision Document* (DD) should make an assessment of the recommendations of the Appraisal/expert guidance and the subsequent dialogue with the grant recipient to address outstanding issues. The DD should reflect climate change and environmental and social risks that have been identified and measures taken to mitigate or manage the risks including follow-up mechanisms. All identified climate change and environmental and social risk factors should be reflected in the goal hierarchy in the Application or as a major risk factor regulated in the Agreed Programme Summary, Annex 1 to the Agreement.

3. Follow-up Phase

In the follow-up phase formal meetings and review reports are important mechanisms for monitoring the progress of the programme. Among issues to be assessed are risk factors identified in the Appraisal and reflected in the Agreement including assessment of environmental and social and climate change risks.

In the follow-up phase, including at formal meetings, the following issues should be discussed:

- Have any new climate change and environmental and social issues associated with the project arisen?
- Have adequate mechanisms for monitoring and reporting of environmental and social and climate change issues and impacts been established? Is it possible to follow up and evaluate results against these indicators?

Both reviews and the Final Report should include assessment of how relevant environmental and social and climate change issues have been addressed, including descriptions of activities undertaken, deviations in relation to plans, goal achievement, effects on the target groups and others, sustainability and summary of main findings.

Sources and Links:

- Norwegian Environmental Action Plan: <http://www.regjeringen.no/nb/dep/ud/tema/utviklingssamarbeid/sentrale-utviklingsaktorer/miljo.html?id=445326>
- World Bank's Safeguard policies: www.worldbank.org/safeguards
- World Bank's Climate Change Portal: <http://sdwebx.worldbank.org/climateportal/>

- OECD-DAC: “Guidance on integrating climate change adaptation into development cooperation” (currently only in draft): www.oecd.org/dac/environment
- United Nations Framework Convention on Climate Change: <http://unfccc.int/2860.php> (National communication to UNFCCC and National Adaptation Programmes of Action (NAPAs))
- Gateway to the UN’s work on climate change: <http://www.un.org/climatechange/index.shtml>
- Norad’s website on climate change: http://www.norad.no/default.asp?V_ITEM_ID=10486
- United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP): <http://www.un.org/esa/socdev/unpfii/index.html>

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