

ENVIRONMENTAL CATEGORIZATION

The Process

All loans and investments are subject to categorization to determine environmental assessment requirements. Categorization is to be undertaken using Rapid Environmental Assessment (REA). REA requires the completion of the environmental categorization form (Table 1). REA uses sector-specific checklists (Appendix 1), developed based on the ADB's past knowledge and experience. These checklists consist of questions relating to (i) the sensitivity and vulnerability of environmental resources in project area, and (ii) the potential for the project to cause significant adverse environmental impacts. For projects including a number of different components (e.g., coastal resource management and fisheries harbor development) it may be necessary to prepare more than one REA checklist

The process of determining a project's environment category is to be initiated by the RD sector division, which will prepare a REA screening checklist, taking into account the type, size, and location of the proposed project. A project is classified as one of the environmental categories (A, B, C, or FI). The RD sector division director will submit the proposed environment category and the checklist to the director, RSES for concurrence or further discussion as required. Final categorization will be the responsibility of the CCO. Loans are classified into one of:

Category A (*OM 20*): Projects with potential for significant adverse environmental impacts. An environmental impact assessment (EIA) is required to address significant impacts.

Category B (*OM 20*): Projects judged to have some adverse environmental impacts, but of lesser degree and/or significance than those for category A projects. An initial environmental examination (IEE) is required to determine whether or not significant environmental impacts warranting an EIA are likely. If an EIA is not needed, the IEE is regarded as the final environmental assessment report.

Category C (*OM 20*): Projects unlikely to have adverse environmental impacts. No EIA or IEE is required, although environmental implications are still reviewed.

Category FI (*OM 20*): Projects are classified as category FI if they involve a credit line through a financial intermediary or an equity investment in a financial intermediary. The financial intermediary must apply an environmental management system, unless all subprojects will result in insignificant impacts.

Categorization based on the Most Environmentally Sensitive Component. Categorization is to be based on the most environmentally sensitive component. This means that if one part of the project is with potential for significant adverse environmental impacts, then project is to be classified as Category A regardless of the potential environmental impact of other aspects of the project. Of course only those aspects of the project with potential for significant adverse environmental impacts need to be assessed in detail. The scoping for the EIA and the TOR for the EIA report should focus on the significant environmental issues.

Table 1: Environmental Categorization Form

ENVIRONMENTAL CATEGORIZATION

A. Instructions:

(i) This form is to be completed by the Sector Division in the Regional Department and submitted to the Environment and Social Safeguard Division (RSES) for endorsement by RSES Director, and for approval by the Chief Compliance Officer (CCO) of the Regional and Sustainable Development Department.

(ii) The environment categorization of a project is a continuing process. If there is a change in the components or/and site of a project that may result in category change, the Sector Division should submit a new environmental categorization form for endorsement by RSES Director and approval by the CCO. The old form should be attached for reference.

a. B. Project Data:

Project No. _____

Country/Project Title: _____ Date: _____

Department/ Division: _____ Processing Stage: _____

Lending Modality: Project Loan Program Loan Financial Intermediation
 Sector Loan SDP Loan Loan or Equity Investment

Coverage: Country Subregional Inter-regional

C. Environment Category: New Recategorization --- Previous Category _____

- Category A
- Category B
- Category C
- Category FI

Additional information is needed for categorization and is to be gathered by the Mission Leader. In the interim, the project is classified as:

- Category A/B Environmental Specialist to participate in fact finding
- Category B/C

Comments:

D. Documents attached: *The categorization will be considered incomplete if proper documentation is not attached.*

Basis for Categorization/ Recategorization:

- REA Checklist
- Project and/or Site Description (must be attached)
- Other: _____

Terms of Reference for EIA/IEE:

- Key issues identified and attached
- Under preparation and will be submitted on _____ (date)

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b. E. Basic Environmental Assessment Requirements

Please check one of category A, B, C or FI

Category A:

- Environmental Impact Assessment (EIA)
- Environmental Management Plan including a Budget
- Public Consultation (at least twice)
- Disclosure 120 days in advance of Board Consideration

Category B:

- Initial Environmental Examination (IEE)
- Public Consultation

Check if the project is to be deemed environmentally sensitive (by CCO)

- Environmental Management Plan including a Budget
- Disclosure 120 days in advance of Board Consideration

Category C:

- Review of Environmental Implications

Category FI:

If Category FI, please check one of the following

- Equity Investment
 - Environmental Management System
- Credit Lines
 - Environmental Management System - including Environmental Assessment and Review Procedures for Subprojects
- Credit Lines where all subprojects will only have insignificant impacts
 - Review of Environmental Implications

For program, sector, or sector development program loans, please check the applicable requirements

Program and Sector Development Program Loans

- Environmental Assessment of Policy Matrix

Sector Loans

- IEEs of Sample Subprojects
- Environmental Assessment and Review Procedures
- Environmental Assessment of Sector Impacts (recommended)

F. Signatures

Category Assigned by:

RD Mission Leader

Date: _____

Endorsed by:

Director, Sector Division

Date: _____

Endorsed by:

Director, RSES

Date: _____

Approved by:

Chief Compliance Officer

Date: _____

Sample Rapid Environmental Assessment Checklist (for AGRO-INDUSTRIAL Project)

Rapid Environmental Assessment (REA) Checklist

AGRO-INDUSTRIAL PROJECTS

Instructions:

- ❑ This checklist is to be prepared to support the environmental classification of a project. It is to be attached to the environmental categorization form that is to be prepared and submitted to the Chief Compliance Officer of the Regional and Sustainable Development Department.
- ❑ This checklist is to be completed with the assistance of an Environment Specialist in a Regional Department.
- ❑ This checklist focuses on environmental issues and concerns. To ensure that social dimensions are adequately considered, refer also to ADB checklists and handbooks on (i) involuntary resettlement, (ii) indigenous peoples planning, (iii) poverty reduction, (iv) participation, and (v) gender and development.
- ❑ Answer the questions assuming the “without mitigation” case. The purpose is to identify potential impacts. Use the “remarks” section to discuss any anticipated mitigation measures.

Country/Project Title:

Sector Division:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Project Siting			
Is the Project area adjacent to or within any of the following environmentally sensitive areas?			
▪ Cultural heritage site	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Protected Area	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Wetland	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Mangrove	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Estuarine	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Buffer zone of protected area	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Special area for protecting biodiversity	<input type="checkbox"/>	<input type="checkbox"/>	
▪ Bay	<input type="checkbox"/>	<input type="checkbox"/>	

SCREENING QUESTIONS	Yes	No	REMARKS
B. Potential Environmental Impacts			
Will the Project cause...			
▪ ecological disturbances arising from the establishment of a plant or facility complex in or near sensitive habitats?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ eventual degradation of water bodies due to discharge of wastes and other effluents from plant or facility complex?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ serious contamination of soil and groundwater?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ aggravation of solid waste problems in the area?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ public health risks from discharge of wastes and poor air quality; noise and foul odor from plant emissions?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ short-term construction impacts (e.g. soil erosion, deterioration of water and air quality, noise and vibration from construction equipment?)	<input type="checkbox"/>	<input type="checkbox"/>	
▪ dislocation or involuntary resettlement of people			
▪ social conflicts arising from the influx of construction laborers from other areas?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ environmental degradation (e.g. erosion, soil and water contamination, loss of soil fertility, disruption of wildlife habitat) from intensification of agricultural land use to supply raw materials for plant operation; and modification of natural species diversity as a result of the transformation to monoculture practices?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ water pollution from discharge of liquid effluents?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ air pollution from all plant operations?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ gaseous and odor emissions to the atmosphere from processing operations?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ accidental release of potentially hazardous solvents, acidic and alkaline materials?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ uncontrolled in-migration with opening of roads to forest area and overloading of social infrastructure?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ occupational health hazards due to fugitive dust, materials handling, noise, or other process operations?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ disruption of transit patterns, creation of noise and congestion, and pedestrian hazards aggravated by heavy trucks?	<input type="checkbox"/>	<input type="checkbox"/>	
▪ disease transmission from inadequate waste disposal?	<input type="checkbox"/>	<input type="checkbox"/>	

Confirmation of Categorization. Projects are classified during an initial screening of potential environmental impacts. However, the classification is subject to change as more detailed information becomes available and preparation proceeds. The environment category must be reconfirmed by the CCO prior to the first MRM.

Basic Environmental Assessment Requirements

Category A. EIA is required to examine the project's potential impacts, and to recommend an environmentally sound project by comparing all possible alternatives. Public consultation must be undertaken at least twice during the EIA process, once during the early stage of the EIA field studies and after the draft EIA report has been prepared. The EIA should recommend mitigation measures for minimizing the adverse impacts and identify environmental monitoring requirements. The mitigation measures and proposed monitoring are to be incorporated into the EMP. An EIA report must be prepared following the recommended format in Appendix 2. The SEIA shall be circulated to the Board at least 120 days prior the Board consideration. The EIA and SEIA are to be made available for public (and published it on ADB's web-site). The Borrower should translate the SEIA into the local language.

Category B. An IEE is required for Category B projects to determine whether or not significant environmental impacts warranting an EIA are likely. If an EIA is not needed, the IEE is regarded as the final environmental assessment report. Public consultation must be undertaken during the IEE process. An IEE report is required to follow the recommended format in Appendix 3. For Category B projects deemed environmentally sensitive, the SIEE should be submitted to the Board at least 120 days prior to the Board consideration. In addition to the SIEE, IEE will be made available to Board members upon request. The Bank may make the SIEE available to locally affected groups and NGOs, upon request, through the Board Member of the DMC concerned, or through the Bank's Depository Library program, except where confidentiality rules would be violated.

Category C. No EIA or IEE is required but environmental implications of the project still need to be reviewed and mitigation measures if any should be directly integrated into the project design.

Category FI. Environmental Assessment of the financial intermediation and equity investments is required. A due diligence assessment of the financial intermediary and its environmental management system (EMS) is required, except in the where the subproject involves only small loans with insignificant impacts. In the cases where there will be on lending through credit lines, an environmental assessment and review procedures for subprojects are required. The environmental assessment and review procedures is similar to that for sector loans and the requirements for public involvement, information disclosure, and in some cases, clearances by ADB apply.

Classification Criteria

Category A

A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented, and affect an area broader than the sites or facilities subject to physical works. For these projects, the environmental assessment examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without Project" situation), and

recommends measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance.

The following locations for prospective projects suggest a Category A classification:

- (i) in or near sensitive and valuable ecosystems (e.g., protected areas, wetlands, wild lands, coral reefs, and habitats of endangered species);
- (ii) in or near areas with cultural heritage sites (e.g. archaeological, historical sites or existing cultural sites);
- (iii) densely populated areas where resettlement may be required or pollution impacts and other disturbances may be significant;
- (iv) regions subject to heavy development activities or where there are conflicts in natural resource allocation;
- (v) watercourses, aquifer recharge areas, or reservoir catchments used for potable water supply; and
- (vi) lands or waters containing valuable resources (e.g. fisheries, minerals, medicinal plants, prime agricultural soils).

The following are examples of potential environmental impacts suggesting a Category A classification.

- (i) permanent conversion of potentially productive or valuable resources (e.g., fisheries, natural forests, wild lands);
- (ii) destruction of natural habitat and loss of biodiversity or environmental services provided by a natural system;
- (iii) risk to human health and safety (e.g. from generation, storage, or disposal of hazardous wastes, inappropriate occupational health and safety measures, violation of ambient water or air quality standards);
- (iv) displacement of large numbers of people or businesses; and
- (v) absence of effective mitigation or compensation measures.

Environmentally sensitive issues which require special attention during the environmental assessment process include the following: disturbance to tropical forests, conversion of wetlands, potential adverse effects on protected areas/sites, encroachment on lands or rights of indigenous peoples or other vulnerable minorities, involuntary resettlement, impacts on international waterways and other transboundary issues, and toxic waste disposal. The best way to ensure proper treatment of such issues is to classify the project as Category A, so that the level of effort will be adequate in terms of analytical expertise, decision making, interagency coordination, public involvement, and disclosure.¹

¹ World Bank. 1993. *Environmental Screening*. Environmental Assessment Sourcebook Update No. 2. World Bank: Washington, D.C., USA.

Measuring the Magnitude of Impacts. The following criteria may use to measure the magnitude of environmental impact:

- (i) absolute amount of resource or ecosystem affected,
- (ii) amount affected relative to existing stock of the resource or ecosystem,
- (iii) intensity of impact,
- (iv) timing and duration of impact, and
- (v) probability of occurrence for a specific impact

Category B

A project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas, (e.g., wetlands, forests, grasslands, and other natural habitats) are less adverse than those of Category A projects. These impacts are site-specific, and few are irreversible. In most cases, mitigation measures can be designed more readily than for Category A projects.

Category C

A project is classified as Category C if it is likely to have minimal or no adverse environmental impacts.

Category FI

A project is classified FI if involves and credit line or an equity investment in a financial intermediary. Projects that involve small loans, generally microfinance projects, where all subprojects will result in insignificant environmental impacts will be treated as category C, and do not have a requirement for the adoption of an EMS or environmental assessment report.

Sample Environmental Categorizations

The sample categorizations for project types are provided in the Table 2.

Table 2: Sample Categorizations for Project Types

Category A	Category B	Category C	Category FI
Dams and reservoirs	Agro-industries	Forestry research and extension	Credit Lines
Forestry and production projects (large-scale)	Rural electrification	Rural health services	Equity Investments
Industrial plants (large-scale)	Electrical Transmission	Marine research	
Irrigation, drainage, and flood control (large-scale)	Urban water supply and sanitation	Family planning program	
Mineral development (oil and gas)	Rural water supply and sanitation	Microfinance projects likely to have minimal or no adverse impacts	
Port and harbor development	Irrigation and drainage (small-scale)		
Thermal and hydropower development	Watershed projects		
	Renewable energy		

Reclassification of a Project

It is possible for a project to be reclassified as new information becomes available or as modifications are introduced in the project design. For example, a Category A project may be reclassified as Category B if all components with significant impacts are cancelled. Conversely, a Category B project may become Category A if new information reveals that it may have significant adverse environmental impacts that were originally thought to be limited to one environmental aspect. Upwards reclassification (e.g. B to A; or C to B) carries some costs. As a result, additional resources will be required for environmental studies, public consultations, and report preparation. Moreover, the schedule for project preparation may be delayed if a decision to conduct more environmental assessment activities is taken during the latter stages of the PPTA.