

# Environmental and social impact assessments

*This note provides guidance on the conduct of environmental and social impact assessments (ESIAs) and the implementation of associated environmental and social management plans (ESMPs).*

Crop and livestock production, forestry, fisheries, and aquaculture all depend on the use of land, water, and other natural resources that are inextricably linked to rural livelihoods, social systems, values, and culture. ESIAs and ESMPs are key tools for identifying and assessing social and environmental risks and benefits at the planning stage of an investment, and for building risk mitigation measures into project design and implementation. Although usually legislative requirements, too often they have been treated as box-ticking exercises. There remains significant room for improvement in the conduct of assessment and the rigor with which findings are incorporated into management plans.



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RESPONSIBLE AGRICULTURAL INVESTMENT (RAI)

# KNOWLEDGE INTO ACTION NOTES

The **UNCTAD–World Bank Knowledge Into Action Note Series** is a compendium of practical, thematic guidance documents for use by governments, investors, and other stakeholders in the implementation of responsible agricultural investment principles. Background and a complete list of notes are in *Note 1: Introduction*.



## WHAT DOES FIELD RESEARCH SHOW?

**Project risks.** Many projects fail due to risks that should have been identified (and in some cases, were identified but ignored) and managed through the proper conduct of ESIAs and ESMPs. For example, a rice farm had its crop repeatedly eaten by birds and had to hurriedly employ 500 bird chasers. The presence of a large endemic bird population was identified in the impact assessment, but it was conducted by a consultant and stored on a shelf at the corporate head office, without the farm managers ever having seen or read it.

**Legislation and enforcement.** Most countries have sufficient regulatory requirements to ensure the proper conduct of ESIAs and ESMPs, and there has been much improvement to legislation in this area with respect to agriculture. However, enforcement continues to be lacking in many cases, thereby limiting monitoring of whether investors are meeting legislative requirements.

**Implementation.** Seventy percent of investors surveyed conducted an ESIA, and almost 50 percent developed an ESMP. But in most cases they were treated as box-ticking exercises, meaning they were largely symbolic or investors sought to do the bare minimum. The quality of ESMPs was weak, and for the most part they did not inform business plans or operations.

**Scope of the ESIA.** Different agricultural investments have different environmental and social impacts (box 1). The scope of an ESIA needs to be sufficiently broad to cover major impacts but also be practical, relevant, and efficient by focusing on key potential areas of concern. The scoping stage of the assessment is critical in determining the quality of the entire process and investors should be intimately involved. ESIAs have strengthened investors' focus on the social components, especially when the local communities affected are dependent on the same natural resources as the investor.

## Box 1. Environmental and social impacts—examples from case studies

A sugar plantation and processing investment in Cambodia generated a significant number of jobs. However, livelihoods of local communities were damaged by the investment annexing grazing land and restricting access to forest land where non-wood forest products had been collected previously. Discharge of chemicals from processing led to serious water pollution.

A fresh fruit and herb processing company in Ghana identified a new potential supply area for fresh herbs, where production of other crops had declined due to poor crop and water supply system management. The company agronomists targeted 85 producers, educating them on organic production which used no chemicals so as to avoid adversely impact the quality of water. Soil conservation practices were taught to manage risks of soil erosion. These efforts had positive impacts in an environmentally sustainable manner.

A jatropha outgrower scheme in Mali and Burkina Faso promoted intercropping of jatropha with food crops and use of residues from processing to enhance soil fertility. In a case in Mozambique, where an investment in jatropha has failed, smallholders have sacrificed arable cropping lands, forcing them to source and develop new land.

Source: UNCTAD–World Bank Responsible Agricultural Investment Database.

**Timing of the ESIA and the ESMP.** To be of real value in shaping the design and implementation of a project, the ESIA should be completed at the planning stage and the ESMP completed and approved before operations begin. However, there are instances of ESIA being conducted after the contract is signed but before the investor starts construction and operations. At a minimum, the investor should not be granted the licenses or permission to start production until the ESIA and ESMP are completed, independently verified, and approved by government, in accordance with the applicable laws.

**Responsibility for the ESIA.** The conduct of a full-scale ESIA is complex and costly, and demands specialized professional expertise, with investors responsible for the appointment of experts and fully informed of the contents of ESIA and ESMPs. The capacity of the party that conducts the assessment determines the quality and comprehensiveness of the ESIA. Identifying a well-trained assessor is not always an easy task. In some countries, the number of independent firms qualified to perform these assessments is limited, facilitating what investors perceived as exploitative pricing of assessments. This can deter investment, particularly in smaller operations. Field research also found instances where investors had effectively outsourced the conduct of impact assessments to previous investors, because no new assessment was undertaken upon change of ownership. The new investor was not aware of the existing recommendations. Impact assessments are ideally living documents, continually implemented and adjusted throughout the life of a project. As such, new investors should, at a minimum, be aware of the existing documents, their contents, and their recommendations.

**Consultation and transparency.** The ESIA provides a structured opportunity for interested and affected parties (usually local communities) to have their voice heard. However, field research found instances where communities were totally unaware of the contents of the ESIA and/or were notified about the project only once approval had been received. The ESMP was rarely developed in consultation with local communities. In addition to a participative approach with those affected, public transparency of the contents of the ESIA—through publication of an environmental and social impact statement—can be an important means for the public and civil society to hold investors to account. Some countries require publication as a legislative requirement; however, publication does not mean that the necessary people have access to the document, and further steps may be required to ensure dissemination to relevant stakeholders.

## Box 2. Key requirements of the ESMP

An ESMP needs to be placed within the environmental and social context identified in the ESIA, and each ESMP is case specific. Although not all topics listed are always relevant to all ESMPs, a proper ESMP should consider the following, at a minimum:

1. Assessment and management of environmental and social risks and impacts
2. Labor and working conditions—decent work and gender
3. Resource use efficiency
4. Pollution prevention and management
5. Community health and safety
6. Biodiversity, ecosystems and habitat conservation, and sustainable management of living natural resources
7. Indigenous peoples and traditional local communities
8. Cultural heritage
9. Land acquisition, restrictions on land use, and involuntary resettlement
10. Land rights, resettlement, and displacement
11. Financial intermediaries' need for reports on compliance
12. Stakeholder engagement and information disclosure

Source: UNCTAD and World Bank, based on various sources.

**Monitoring and updating the ESIA.** The field research found that many assessments were not accompanied by a system of ongoing monitoring and adherence to recommendations for changes to operations. It is a basic principle underpinning ESIA that such assessments should not be one-off or box-ticking exercises but should be iterative. Once impacts are identified and assessed, measures to minimize or mitigate risks should be incorporated into the project design with ongoing assessment to identify evolving risks. When the ESIA has been approved, the project should be monitored and evaluated periodically to assess whether impacts occur as predicted—that is, to ensure that the terms and conditions of project approval are met.

**Devising and applying an ESMP.** The field research found that some operations studied had not translated the findings of the ESIA into an ESMP. Some ESMPs existed only on paper and were not authentic tools used to manage the environmental impact of the project. The drafting of ESMPs needs to take account of the environmental and social context identified in the impact assessment, thus providing a set of strategies, objectives, actions, organizational structure and responsibilities, budgeting, monitoring and reporting modalities required to achieve the objectives set out in the impact assessment and to address the sustainability principles of the project (box 2).

## ✓ ELEMENTS OF GOOD PRACTICE FOR INVESTORS

**Timing of the ESIA.** It is important to identify and assess any environmental and social risks at the planning stage of the project cycle so that management of these risks can be made an integral part of project design and implementation. ESIA cannot be treated as a simple formality. Their findings should be reflected in the project design through appropriate ESMPs and be given appropriate priority in project implementation. Weak ESIA or ESMPs can not only lead to avoidable environmental and social harm, they can also have negative financial and operational consequences.

**End investors.** Financial backers should approve the completed ESIA before an investment contract is signed and operations begin. Financial institutions and end investors should require satisfactory conduct of ESIA and ESMPs as a condition for providing funding to a project.

**Staging of the ESIA.** An ESIA can involve more than one stage: an initial high-level screening such as a basic agricultural assessment to identify potential issues for further evaluation can determine whether launching a formal assessment is needed and can define the scope of issues to be covered in a more rigorous assessment. The contract negotiations can then be adapted based on the findings of the ESIA. The possibility of an ESIA leading to abandonment of the project should not be ruled out.

**Exceeding legislative requirements.** Investors should recognize potential pressures on natural resources and local communities, and promote protection and conservation of natural resources and enhancement of livelihoods. They need to recognize any regulatory weaknesses compared with international good practice standards and should go beyond what is minimally required where they operate. Investors should incorporate social impacts in the impact assessment process, even if national legislation does not require it.

**Internal awareness raising.** Investors should make management, staff, and stakeholders aware of the sustainability principles and standards the investor pursues, encouraging a system of compliance with these standards by stakeholders. This effort may involve conducting sustainability education.

**Consultative approach.** Consultation should occur throughout the ESIA process. It is often mandated by national legislation, but it may be in all parties' interests for investors to go beyond the minimum requirements. The ESIA process creates a good opportunity for the investor to understand the needs and concerns of local affected communities. If handled in a positive, engaged, and constructive manner, it can contribute to building relationships between the parties, something that is critical in many cases for future success.

**Local awareness raising.** Investors have a responsibility to raise local awareness of their policies and management procedures, as well as specific environmental and social risks and impacts arising from its behavior or that of the community. Doing so might entail combining efforts with other stakeholders, such as nongovernmental and government institutions, as well as supporting local initiatives.

**Monitoring and iteration.** ESIA and ESMPs should be treated as dynamic tools that actively influence the operation of a project. Investors should have a system of regular monitoring and auditing of environmental and social performance, including assessment of risks previously identified and consideration of new risks that arise as the project develops.

## ✓ ELEMENTS OF GOOD PRACTICE FOR GOVERNMENTS

**Legislation.** Governments should consider how to ensure the effective implementation of ESIA legislation, including monitoring and enforcement capacity where necessary for environmental and social legislation pertaining to agricultural investments. Governments should help facilitate and ensure the active participation of affected communities in the process.

### Box 3. Examples of good practices identified in fieldwork

- In Mozambique, the conduct of the ESIA is embedded as part of the consultation process. One meeting with local communities is dedicated to discussion of the outcome of the ESIA and agreement of mitigation measures. During the social engagement phase of the ESIA, an investor suggested that it would be best for both community and investor if the development took place without relocating households but instead developed unused lands, leaving existing households on undisturbed land.
- In Malaysia transparency is enhanced by making all ESIA publicly available online.
- As a result of the ESIA, an investor in Mozambique prohibited the hunting of wild birds and animals on the land assigned and noted a significant increase in the populations of wildlife as a result. An indirect benefit was the identification of a rare bird, normally only found in Malawi and northward, which then attracted ornithologist tourists to the local area, a benefit to the local economy.
- An investor in Tanzania identified the need to conserve local indigenous forests and provided protective clothing and equipment to a local civic conservation body, so as to enable them to patrol and protect the reserve.

Source: UNCTAD–World Bank Responsible Agricultural Investment Database.

**Responsibility for conduct.** Governments should agree to the conduct of ESIA by investors, and monitor it, rather than carrying them out on behalf of the investor. They should ensure verification by an independent third party and government approval, as well as monitor and enforce adherence to environmental and water regulations.

**Transparency.** Environmental and social impact statements should be made publicly available in print and online. Governments should consider other dissemination strategies to ensure relevant stakeholders can access the documents.

**Linking to contracts.** Governments should consider how to ensure that impact assessments and management plans be integrated into contracts between investors and governments, with specific instructions and guidelines about what to assess and include in management plans. Failure to conduct impact assessments and develop management plans should amount to a material breach of contract and be grounds for termination (see *Note 8: Investment contracts*).

**Monitoring and iteration.** ESIA approvals should not be regarded as blanket licenses to operate, but seen as conditional on specifications of required mitigation, offsets, monitoring, and reporting requirements to keep authorization current. If other impacts arise or are greater than expected, then the iterative process of identification, assessment, mitigation, reporting, monitoring, and evaluation should be done anew for these new impacts. Investors are expected to cover the costs of measuring impacts and environmental agencies should bear the costs of checking that measurements have been carried out correctly. (See *Note 9: Monitoring investments*.)

## REFERENCES AND RESOURCES

This Note is complementary to the literature and guidance documents to which many organizations have contributed, a selection of which is provided below. Further resources are provided in *Note 2: Additional resources*.

FAO. (2015). *Environmental and Social Management: Guidelines*. (FAO: Rome).

IFC. (2013). *Sustainable Agribusiness in Africa: A Getting Started Guide*. (World Bank: Washington).

UNDP. (2016). *Social and Environmental Screening Procedure*. (UNDP: New York).

UNEP & INTERNATIONAL PANEL FOR SUSTAINABLE RESOURCE MANAGEMENT. (2010). *Assessing the Environmental Impacts of Consumption and Production: Priority Products and Materials*. (UNEP: Paris).

VANCLAY, F. (2015). *Social Impact Assessment: Guidance for Assessing and Managing the Social Impacts of Projects*. (IAIA: Fargo).

WORLD BANK. (2017). *Environmental and Social Framework*. (World Bank: Washington).



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