

# New Development Bank

## Environment and Social Framework

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### Change Log

<b>Revision Date</b>	<b>Chapter revised</b>	<b>Revision Details</b>
[30] December 2015		Post Board revision: as per attached track changes.
[28] January, 2016		Restructured and revised to include: Part 1 Environmental and Social Policy, and Part 2 Environmental and Social Standards
[11] Mar 2016		Revised with comments received.

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**ACRONYMS**

<b>BOD</b>	Board of Directors
<b>EIA</b>	environmental impact assessment
<b>ESMP</b>	environmental management plan
<b>ESS</b>	Environmental and social standards
<b>FI</b>	financial intermediary
<b>IP</b>	Indigenous Peoples
<b>IPP</b>	Indigenous Peoples Plan
<b>IR</b>	involuntary resettlement
<b>MFF</b>	multi-tranche finance facility
<b>NDB</b>	New Development Bank
<b>PFF</b>	project finance facility

## **Overview of the Environment and Social Framework**

### **A. Introduction**

1. As per Article 2 – “Purposes” of the Articles of Agreement of the New Development Bank, “The purpose of the Bank shall be to mobilize resources for infrastructure and sustainable development projects in the Federal Republic of Brazil, the Russian Federation, the Republic of India, the People’s Republic of China and the Republic of South Africa (BRICS) and other emerging market economies and developing countries...”. Accordingly, promotion of infrastructure and sustainable development projects is a key focus area for the New Development Bank (NDB). While doing so, the Articles specify the use of sound banking principles which provide due regard to the risks involved. This paper outlines NDB’s approach to promote sustainable development in the area of environment and social management.
2. The Framework sets out NDB’s core principles which govern the operations of NDB on environment and social management. It includes two parts: (i) Part 1 which provides an overarching policy for addressing environment and social management in operations, and (ii) Part 2 Environmental and Social Standards (ESS) which set forth the key mandatory requirements with respect to Environment, Involuntary Resettlement, and Indigenous Peoples.<sup>1</sup>
3. This Framework is submitted to NDB’s Board of Directors (BOD) for approval. In addition, the detailed procedures and guidelines with respect to the environment and social management framework which would be developed over time will be approved by the management and submitted to the BOD for information.

### **B. Objectives**

4. The aim of this Environment and Social Framework (the Framework) is to: manage environmental and social risks and impacts in projects; manage operational and reputational risks of NDB and its stakeholders; mainstream environmental and social considerations into decision-making processes of all parties; and encourage the international good environmental and social practices in its operations and in doing so strengthen the country systems. The policy also seeks to ensure environmental

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<sup>1</sup> The term “Indigenous Peoples” is used in a generic sense to refer to a distinct social and cultural group as defined in ESS3 of this Framework. NDB recognizes that there is no universally accepted definition for this term. It may be referred as other terms in different countries, such as “ethnic minorities”, “aboriginals”, “minority nationalities”, or “tribal groups” or “local communities”. For the purpose of this Framework, “Indigenous Peoples” is used to maintain consistency with other MDBs. However, for the actual project, NDB may agree with the Client to use alternative terminology as appropriate to the country-specific context.

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and social soundness and sustainability of projects, enable clients to identify and manage environmental and social risks and impacts in NDB's projects, improve development effectiveness and impact to increase results on the ground, and facilitate cooperation on environmental and social matters with development partners. Through its operations, NDB seeks to balance economic, social, and environmental interests while fostering ownership and accountability of member countries.

### C. Core Principles

5. The core principles and the intent which form the basis of the Framework, standards and procedures as well as the associated guidelines are delineated as follows:
  - a) *Inclusive and sustainable development*: A principle focus area of NDB is to ensure inclusive sharing of development benefits and opportunities including among the traditionally deprived sections such as the poor, disadvantaged, women, children and minorities. The process of inclusion entails both access to and delivery of services. NDB recognizes the importance of maintaining policy and operating standards which (i) promote sustainable development; (ii) are aligned with international good practices; and (iii) effectively respond to environmental and social risks;
  - b) *Country systems*: NDB promotes the use of strong country and corporate systems in the management of environment and social risks and impacts. NDB also assists in further strengthening the country systems through a variety of mechanisms in both the public and private sector, including by (i) favoring use of country systems, with adequate support, at the operational level as it also fosters greater accountability and ownership; (ii) coordinating closely with other multilateral development banks, international financial institutions and relevant centers of expertise; and (iii) maintaining a risk based and outcome focused approach through measures aligned with the core principles;
  - c) *Environment and social interests*: NDB integrates the principles of environment and social sustainability into its policies and operations, as an integral part of its decision making process, to ensure its financing and investment in infrastructure and sustainable development projects have minimal adverse impact on environment and people;
  - d) *Climate change*: NDB seeks to promote mitigation and adaptation measures to address climate change. Recognizing the sustainable nature of green economic

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growth and the associated benefits, NDB aims to build upon existing green economic growth initiatives and provide support for the new ones at regional, national, sub-national and private sector level. NDB also encourages climate proofing of its infrastructure financing and investments to build resilience to climate change;

- e) *Conservation of natural resources*: NDB promotes the conservation of natural resources including energy, water and supports sustainable land use management and urban development;
- f) *Gender equality*: NDB believes that gender equality is important to successful and sustainable economic development and accordingly considers it imperative to mainstream gender equality issues in all its operations;
- g) *Precautionary approach*: NDB uses a precautionary approach to justify discretionary decisions in situations where there is the possibility of environmental and social harm from making project decisions; and
- h) *Co-operative functioning and knowledge dissemination*: NDB seeks to complement the existing efforts of multilateral financial institutions, regional financial institutions and other agencies. In co-financed projects, NDB seeks to promote harmonization of its policies with partnering financial institutions and other agencies by way of adopting a common approach to appraisal, environmental and social management requirements, monitoring and reporting. In addition, NDB intends to disseminate knowledge gained with its development partners.

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### Part 1. Environment and Social Policy

#### A. Objective

1. NDB believes that environmental and social sustainability are crucial while addressing the infrastructure gaps and sustainable development needs consistent with national laws and regulations, and its mandate. The objective of this Policy is to dovetail the achievement of this imperative with the project decision making process of the client and NDB and the overall operations of NDB.

#### B. Application Scope

2. This Policy applies to all NDB financed and/or NDB administered projects with or without sovereign guarantee, including investment projects and their components regardless of the source of financing.
3. NDB may agree to apply additional requirements of the other financiers (including with respect to funds administered by NDB) relating to the environmental or social matters, provided NDB determines that they are consistent with the Articles of Agreement and its Policy.
4. Further, if NDB determines that the relevant requirements of the country in which the project is located are more stringent than the requirements of its Policy, NDB may require the client to comply with the more stringent requirements.

#### C. Policy Approach

5. Under the Framework, NDB requires the clients to meet the key requirements for environment and social assessment, involuntary resettlement and indigenous peoples standards (Part 2) in the preparation and implementation of NDB projects.
6. NDB promotes the use of strong country and corporate systems in the management of environment risks and impacts. NDB relies on country and corporate system in the preparation and implementation of the projects, on the basis that such system is fully consistent with the key requirements of NDB's Environmental and Social Policy and Environmental and Social Standards. NDB addresses the gaps, if any, through engaging client to take adequate actions to ensure the full achievement of the objectives of this Framework.
7. NDB will apply, on a project by project basis, an appropriate risk-based framework grounded on NDB experience with BRICS and other international good practices.
8. The implementation of the Policy is the responsibility of the client, including by way of assessments, consultations, plans, implementation of plans, grievance redressal,



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dispute resolution, disclosure, and monitoring. However, NDB seeks to play a proactive role by way of (i) ensuring stricter compliance with applicable national standards; (ii) working with the client to strengthen the country capacity and systems; and (iii) knowledge sharing with clients on international good practices. NDB may provide support to clients during project processing, and monitoring and supervision, where necessary.

### D. Policy Requirements

#### *Screening and Categorization*

9. NDB screens and assesses each proposed project at the concept stage to determine its risk categorization and updates the categorization during project processing. This exercise is undertaken to determine the nature and extent of potential environment and social impacts. Each proposed project is scrutinized as to its type, location, scale, and sensitivity and the magnitude of its potential impacts. NDB does not support project activities included in the Annex 1 Exclusion List.
10. The screening covers all the three types of concerns of ESS, i.e. environment, involuntary resettlement and indigenous peoples. Only one category is assigned to the whole project based on the most environmentally and socially sensitive concern(s) of the project.
11. While undertaking the process of assessment and categorization, the existing standards applicable in member country, as appropriate, will be taken into account. In the case of existing facilities, NDB conducts a review of both past and present environmental and social issues and risks. Projects are assigned to one of the following four categories depending on the significance of the project's potential environmental impacts:
  - **Category A.** A proposed project is classified as Category A if it is likely to have significant adverse environmental and social impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subjected to physical works;
  - **Category B.** A proposed project is classified as Category B if its potential adverse environmental and social impacts are less adverse than those of Category A projects. These impacts are site-specific, few if any of them are irreversible and in most cases mitigation measures can be designed more readily than for Category A projects;

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- **Category C.** A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts; and
- **Category FI.** A proposed project is classified as Category FI if it involves investment of funds to or through a Financial Intermediary (FI).

### *Environmental and Social Assessment and Management Plans*

12. For Category A and B projects, NDB requires the Client to conduct environmental and social impact assessment, with scope and depth commensurate with the nature and magnitude the potential impacts.
13. NDB promotes the use of country and corporate system for the preparation of environmental and social documents. The Client in consultation with NDB may choose an appropriate instrument from among a variety of instruments to address the potential environmental and social impacts, which include, but are not limited to: strategic environmental assessment, regional or sectoral environmental and social assessment, environmental impact assessment, environmental and social management plan, environmental and social management framework, resettlement action plan, indigenous peoples plan etc.
14. At time of project appraisal NDB confirms with the client that the social and environmental safeguard measures recommended in the environment management plan, resettlement plan, indigenous peoples plan, are properly integrated into the project design and adequately covenanted in the legal agreements. For Category A projects, the client is required to prepare an environmental impact assessment, including an environmental management plan/framework, resettlement plan and assessment of social impacts as required, and indigenous peoples plan. For Category B projects, the documentation requirement for environment and social assessment will be determined on a case by case basis in consultation with the client keeping in mind the severity of impacts and nature of mitigation and monitoring measures. For Category C projects, there shall be a review of environment and social implication in the project documentation. For projects classified as FI, the client shall provide environmental and social impact assessment and environment and social management plans for sub-projects where such impacts are significant. Specific documentation requirements for different categories will be specified in the detailed procedures and guidelines with respect to the environment and social management framework.

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15. Regardless of the instruments chosen, NDB requires that the preparation and implementation of the documents are consistent with the key requirements set forth in this Framework.
16. For any environmental and social impacts identified, NDB requires the Client to develop management plans as appropriate (e.g. environmental and social management plan, resettlement action plan, indigenous peoples plan, or equivalent) to avoid, minimize or otherwise compensate the adverse impacts.
17. When the client has inadequate capacity to carry out necessary environment and social plans for a proposed project, the project may include component(s) to strengthen that capacity.
18. In the case of a multi-tranche financing facility (MFF), the Client will prepare a facility level environmental and social management framework (ESMF), which sets up a framework requirement of the environmental and social assessment (including resettlement and indigenous peoples) for the subsequent projects. However, each tranche of the facility will be treated as a separate project for application of this Policy.
19. For a project finance facility (PFF), NDB and the Client will agree on the forms and requirements of environmental and social safeguards for subsequent sub-projects at the time of approval of PFF, based on which, the Client will exercise environmental and social assessment for each sub-project as appropriate according to the agreement.
20. For Category FI projects, NDB conducts due diligence to assess the potential environmental and social risks associated with FI's existing and likely future project portfolio and its environmental and social management capacity. All FIs are required to have in place or establish an appropriate environmental and social management system which ensures the achievement of objectives of NDB's Environmental and Social Framework.
21. For associated facilities<sup>2</sup> that the Client has control of, NDB requires the Client to comply with this Framework with respect to such facilities.

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<sup>2</sup> The terms Associated Facilities refer to activities that, in the judgement of NDB, are: (a) directly and significantly related to the NDB-funded project; (b) carried out at the same time with NDB-funded project; and (c) necessary for the NDB project to achieve project objective and would not be constructed if the NDB-funded project does not exist.

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### ***Public Consultation***

22. NDB requires the Client to conduct a meaningful consultation process, that is compliant with national laws and regulations and this Policy, and (i) engages with communities, groups, or people affected by proposed projects; (ii) begins early and is carried out on an ongoing basis; (iii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible, is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, tailored to the needs of vulnerable groups<sup>3</sup>; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making.

### ***Transparency and Information Disclosure***

23. NDB is committed to working with the client to ensure that social and environmental assessment documents are made available in a timely manner, in an accessible place, and in a form and language(s) understandable to affected people and to other stakeholders, including the general public, so they can provide meaningful inputs into project design and implementation.

### ***Monitoring and Reporting***

24. NDB requires the Client to conduct monitoring on the implementation of environmental and social mitigation measures. The extent of monitoring activities, including their scope and periodicity, is commensurate with the project's risks and impacts. Clients will provide periodic monitoring reports on environment and social measures and relevant plans, as provided in the legal agreements and / or country systems.
25. NDB carries out its own due diligence of monitoring through progress/monitoring report review, field visit and post-evaluation, and provides support to strengthen the client's systems.
26. NDB in collaboration with the client monitors projects on an ongoing basis until completion, and if necessary, beyond project completion as required.

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<sup>3</sup> Vulnerable groups here refer to peoples that may be more adversely affected than others by the project and have limited ability to take benefits of the project. It includes, but not limited to, people below poverty line, the landless, the older people, children, women, ethnic minorities, disabled persons etc.

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### *Grievance Redressal Mechanisms*

27. NDB requires that the client establish and maintain a fair and effective grievance redress mechanism to receive and facilitate timely resolution of affected peoples' concerns and grievances about the client's environmental and social performance at project level. Existing national mechanisms for grievance redressal may be used for the purpose of this Framework, if such national mechanisms are deemed appropriate and in compliance with the objectives of this Framework.

### **E. Roles and Responsibilities**

#### *Roles and Responsibilities of NDB*

28. NDB is responsible for: (a) screening each project to assign a category to it; (b) undertaking due diligence review of the Client's environmental and social assessment reports, to ensure compliance with country and corporate system and consistency with key requirements of NDB's ESS; (c) determining the feasibility of NDB financing for the project; (d) monitoring and supervising the Client's compliance with its environmental and social obligations under the legal agreement between NDB and the Client, throughout the project implementation period, (e) working with the client to strengthen the country systems; and (f) knowledge sharing with clients on international good practices. NDB may also provide assistance to clients during project processing, and provide support for enhancing monitoring and supervision, where necessary.
29. NDB conducts environmental and social due diligence review, as an integral element of its appraisal to ensure the consistency of use of country and corporate system with the core principles and key requirements of this Framework. This assists in NDB deciding whether to finance and, if so, the manner in which it requires the client to address environmental and social aspects, which promote sustainable development, in the planning and implementation stages.
30. In case of existing facilities, or projects under construction, or permits have been obtained, and environmental and social impact assessment have been completed, NDB may conduct, as part of its environmental and social due diligence, a gap analysis of the design and implementation to identify whether any additional studies or mitigation measures are required to meet the requirements of the Policy. The due diligence review process is carried through the implementation phase to ensure compliance with the agreed plans and standards.

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31. Changes may occur in the nature and scope of the project during implementation. Such changes may have significant environmental or social implications associated with them. NDB may carry out together with client or require that client undertake, environmental and social due diligence of the relevant changes and if it determines, on the basis of this due diligence, that any additional assessment, stakeholder consultations, or environmental and social mitigation measures are required, it seeks the client to incorporate these measures. The exact nature of the environmental and social due diligence and review may also factor in the role played by NDB in the financing of the project, which could be in the form of (i) lead partner; (ii) parallel co-financing; or (iii) consortium member.

### ***Roles and Responsibilities of the Client***

32. The Client is responsible for: (a) conducting its environmental and social risks and impacts; (b) developing management plans to avoid, minimize and/or otherwise compensate the adverse impacts; (c) engaging with people affected by the project and other stakeholders, through information disclosure, meaningful consultation and informed participation; (d) monitoring the environmental and social performance throughout the project implementation to ensure the compliance with agreed documents/plans, and providing periodical reporting to NDB as per legal agreement; and (e) establish and maintain a fair and effective grievance redress mechanism for environmental and social safeguards.

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### Annex 1 Environmental and Social Exclusion List

NDB does not knowingly support projects involving the following:

- i. The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the Operation is located, or international conventions and agreements, or subject to international phase out or bans;
- ii. Trade in wildlife or production of or trade in wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- iii. Transboundary movements of waste prohibited under international law (Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal);
- iv. Production of, or trade in, weapons and munitions, including paramilitary materials;
- v. Production of, or trade in, alcoholic beverages, excluding beer and wine;
- vi. Production of, or trade in, tobacco;
- vii. Gambling, casinos and equivalent enterprises;
- viii. Production of, trade in, or use of un-bonded asbestos fibers;
- ix. Activities prohibited by legislation of the country in which the project is located or by international conventions relating to the protection of biodiversity resources or cultural heritage -(Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention), Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention), Convention Concerning the Protection of the World Cultural and Natural Heritage and Convention on Biological Diversity);
- x. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- xi. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
- xii. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU)<sup>4</sup>;

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<sup>4</sup> Non-compliance with International Maritime Organisation (IMO) requirements: tankers that do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL), International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management Code compliance), tankers banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used.

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### Part 2. Environment and Social Standards

#### ESS1: Environmental and Social Assessment

##### **A. Objective**

1. To ensure environmental and social soundness and sustainability of Operations and to support the integration of environmental and social considerations into the Operation decision-making process

##### **B. Scope and Application**

2. Environmental and social standard applies if the project is likely to have potential adverse environmental and/or social risks and impacts.

##### **C. Key Requirements**

3. The client is required to make environmental and social assessment in a manner consistent with the key requirements in the following way:
  - *Early screening of potential risks and impacts:* As early as possible, screen each proposed project to determine the appropriate extent and type of environmental assessment studied to be carried commensurate with the significance of potential impacts and risks.
  - *Impact assessment:* Conduct an environmental and social assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the project's area of influence. Assess potential transboundary and global impacts, including climate change. Use strategic environmental assessment where appropriate. The main coverage of environmental and social assessment are detailed in para 4 of this ESS.
  - *Alternative analysis:* Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed.
  - *Management plan:* Develop necessary measures to avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive

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<http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-the-Prevention-of-Pollution-from-Ships-%28MARPOL%29.aspx>.



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impacts by means of environmental planning and management. Prepare an environmental and social management plan (ESMP) that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators.

- *Meaningful consultation:* Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned nongovernment organizations, early in the project preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment.
- *Grievance mechanism:* Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental and social performance.
- *Information disclosure:* Disclose the environmental and social assessment documents (including ESMP) in a timely manner, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders during preparation and implementation of the project so as to provide an opportunity to broadly identify and address environmental and social issues, including involuntary resettlement and indigenous peoples. In particular, disclose the draft environmental and social assessment documents before project appraisal, and disclose in the same manner the final assessment documents and any updates to affected people and other stakeholders.
- *Monitoring:* Conduct monitoring of the environmental and social performance, and document monitoring results, including the development and implementation of corrective actions.

### ***D. Coverage of Environmental and Social Assessment***

4. This sections with respect to the environmental and social coverage shall be in accordance with country specific international agreements, signatories to international conventions / agreements and related national laws and will include the following:

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### Environmental Coverage

5. *Biodiversity assessment.* Consider direct and indirect project-related impacts on biodiversity, for example habitat loss, degradation and fragmentation, invasive alien species, over exploitation, hydrological changes, nutrient loading, pollution and incidental take, as well as projected climate change impacts. Also take into account the differing values attached to biodiversity by affected communities and other stakeholders.
6. *Biodiversity impacts.* Avoid adverse impacts on biodiversity. When avoidance of adverse impacts is not possible, implement measures to minimize adverse impacts and restore biodiversity. Ensure that competent biodiversity expertise is used to conduct the environmental and social assessment, to assist in the development of a mitigation hierarchy, and to verify the implementation of mitigation measures. Where appropriate, develop a biodiversity action plan.
7. *Critical habitats*<sup>5</sup>. Do not implement project activities in areas of critical habitats, unless: (a) there are no measurable adverse impacts on the critical habitat that could impair its ability to function; (b) there is no reduction in the population of any recognized endangered or critically endangered species; and (c) any lesser impacts are mitigated. If the project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area.
8. *Natural habitats*<sup>6</sup>. In an area of natural habitats, ensure there is no significant conversion or degradation, unless: (a) alternatives are not available; (b) the overall benefits from the project substantially outweigh the environmental costs; and (c) any conversion or degradation is appropriately mitigated.
9. *Protected areas.* Where the project occurs within or has the potential to adversely affect protected areas, i.e. an area that is legally protected or internationally

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<sup>5</sup> Critical habitats are areas with high importance for biodiversity, including (a) highly threatened or unique ecosystem; (b) habitat important to Critically Endangered or Endangered species, as listed in the IUCN Red List of threatened species or under national law; (c) habitat important to endemic or restricted-ranges species; (d) habitat supporting globally or nationally significant concentrations of migratory or congregatory species; (e) ecological functions or characteristics that are needed to maintain the viability of the biodiversity features described above in (a) to (d).

<sup>6</sup> Natural habitats are land and water areas where (i) the ecosystem's biological communities are formed largely by native plant and animal species, and (ii) human activity has not essentially modified the area's primary ecological functions. All natural habitats have important biological, social, economic, and existence value. Important natural habitats may occur in tropical humid, dry, and cloud forests; temperate and boreal forests; Mediterranean-type shrub lands; natural arid and semi-arid lands; mangrove swamps, coastal marshes, and other wetlands; estuaries; sea grass beds; coral reefs; freshwater lakes and rivers; alpine and sub alpine environments, including herb fields, grasslands, and paramos; and tropical and temperate grasslands.

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- recognized or designated for protection, identify and assess potential project-related adverse impacts and apply the mitigation hierarchy so as to prevent or mitigate adverse impacts from projects that could compromise the integrity, conservation objectives or biodiversity importance of such an area.
10. *Sustainability of land use.* Assess the sustainability of land use in the area of the project and in immediately adjacent areas. Where feasible, locate infrastructure projects, particularly those involving land clearing, on land that is already converted or highly degraded.
  11. *Climate change.* Assess both the potential impacts of the project on climate change as well as the implications of climate change on the project and develop both mitigation or adaptation measures as appropriate. Identify opportunities for no- or low-carbon use, where applicable, and for reducing emissions from the project.
  12. *Pollution prevention.* Apply pollution prevention and control technologies and practices consistent with international good practices (e.g. World Bank Group's Environment, Health and Safety guidelines as references, particularly in case of absence of national standards and guidelines). Adopt clean production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, waste generation, and release of hazardous materials from production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
  13. *Resource efficiency.* Implement technically and financially feasible measures for improving efficiency in consumption of energy and water, as well as other resources and material inputs. Integrate the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy and water.
  14. *Greenhouse gases.* Consider alternatives and implement technically and financially feasible and cost-effective options, as appropriate, to reduce project-related greenhouse gas emissions during design and operation. For projects with significant greenhouse implication, where technically and financially feasible, quantify direct and indirect emissions in line with national protocols.

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### Social Coverage

15. *Social risks and impacts.* Undertake a broad assessment of potential social and economic risks and impacts, both positive and negative, associated with the project. This should include direct and indirect impacts at the community and individual level.
16. *Scope of social coverage.* Provide in the assessment an overview of the full range of potential social impacts and risks and identify measures for their avoidance or mitigation. If Involuntary Resettlement may occur as part of the project, describe this in the assessment, and complement with the preparation of a resettlement plan. If indigenous peoples are present in the area of project and are affected by the project, describe this in the assessment, and complement with the preparation of an indigenous peoples' plan.
17. *Vulnerable groups.*<sup>7</sup> Assess social risks and impacts that fall disproportionately on vulnerable groups, and any prejudice or discrimination toward individuals or groups in providing access to development resources and project benefits, particularly in the case of vulnerable groups.
18. *Gender.* Identify any potential gender-specific adverse impacts of the project and undertake to develop mitigation measures to reduce these. Where relevant, consider enhancing the design of the project to promote equality of opportunity and women's socio-economic empowerment, particularly with respect to access to finance, services and employment.
19. *Land and natural resource access.* Assess economic and social impacts relating to the involuntary taking of land or restriction on access to natural resources; risks or impacts associated with land and natural resource tenure and use, including (as relevant) potential project impacts on local land use patterns and tenure arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources.
20. *Cultural resources.* Conserve cultural resources and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts for the assessment process. Provide for the use of "chance find" procedures that include a pre-approved management and conservation approach for materials that may be discovered during project implementation.

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<sup>7</sup> See footnote 3.

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21. *Community safety and health.* Assess safety and health risks and impacts on local communities, and put in place preventive and emergency preparedness and response measures to avoid, or where avoidance is not possible, to minimize, adverse risks to, and impacts of the project to the safety and health of local communities.
22. *Labor protection.* Assess labor and working conditions of project workers, as well as health and safety risks to local communities in the area of the project. Implement measures designed to ensure project workers have safe and healthy working conditions and put in place measures to prevent accidents, death, injuries, and disease caused by the project. Apply the relevant occupational health and safety provisions and, as appropriate, industry-specific, to the project. Meet labor protection requirements of national laws and regulations and relevant International Labor Organization conventions as applicable to the country.

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### ESS2: Involuntary Resettlement

#### A. Objective

1. To avoid involuntary resettlement wherever possible; to minimize involuntary resettlement by exploring project and design alternatives, to enhance, or at least restore, the livelihoods of all displaced persons in real terms relative to pre-project levels and to improve the standards of living of the displaced poor and other vulnerable groups through inclusive and sustainable development.

#### B. Scope and Application

2. The involuntary resettlement safeguards covers physical displacement (relocation, loss of residential land, or loss of shelter) and economic displacement (loss of land, assets, access to assets, income sources, or means of livelihoods) as a result of (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas. It covers them whether such losses and involuntary restrictions are full or partial, permanent or temporary.

#### C. Key Requirements

3. The Client is required to address involuntary resettlement in a way consistent with the key requirements as follows:
  - *Early screening:* Screen the project early on to identify involuntary resettlement impacts and risks, and determine the scope of resettlement planning through a survey and/or census of displaced persons, including a gender analysis, specifically related to resettlement impacts and risks.
  - *Meaningful consultation:* Carry out meaningful consultations with affected persons, host communities in accordance with national laws and regulations, or guidelines of this Framework as appropriate. Inform all displaced persons of their entitlements and resettlement options. Ensure their participation in planning, implementation, and monitoring and evaluation of the IR plan. Pay particular attention to the needs of those below the poverty line, the landless, the elderly, women and children, and other vulnerable people and those without legal title to land and ensure their participation in consultations. NDB may participate in the consultation process as needed.
  - *Grievance mechanism:* Establish a grievance redress mechanism to receive and facilitate resolution of the affected persons' concerns.

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- *Livelihood restoration:* Improve, or at least restore, the livelihoods of all displaced persons through (i) land-based resettlement strategies when affected livelihoods are land based where possible or cash compensation at replacement value for land when the loss of land does not undermine livelihoods, (ii) prompt replacement of assets with access to assets of equal or higher value, (iii) prompt compensation at full replacement cost for assets that cannot be restored, and (iv) additional revenues and services through benefit sharing schemes where possible.
- *Resettlement assistance:* Provide physically and economically displaced persons with needed assistance, including the following: (i) if there is relocation, secured tenure to relocation land, better housing at resettlement sites with comparable access to employment and production opportunities, integration of resettled persons economically and socially into their host communities, and extension of project benefits to host communities; (ii) transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities; and (iii) civic infrastructure and community services, as required.
- *Standards of living:* Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards. In rural areas provide them with legal and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.
- *Negotiated settlement:* Develop procedures in a transparent, consistent, and equitable manner if land acquisition is through negotiated settlement to ensure that those people who enter into negotiated settlements will maintain the same or better income and livelihood status.
- *Persons without title or legal rights:* Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of non-land assets.
- *Compensation and entitlement:* Pay compensation and provide other resettlement entitlements before physical or economic displacement.
- *Resettlement plan:* Prepare a resettlement plan elaborating on displaced persons' entitlements, the income and livelihood restoration strategy, institutional arrangements, monitoring and reporting framework, budget, and time-bound implementation schedule.

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- *Information disclosure:* Disclose a draft resettlement plan, including documentation of the consultation process in a timely manner, before project appraisal, in an accessible place and a form and language(s) understandable to affected persons and other stakeholders. Disclose the final resettlement plan and its updates to affected persons and other stakeholders.
- *Implementation:* Include the full costs of resettlement in the presentation of project's costs and benefits. For a project with significant involuntary resettlement impacts, consider implementing the involuntary resettlement component of the project as a stand-alone operation.
- *Supervision:* Implement the resettlement plan under close supervision throughout project implementation.
- *Monitoring:* Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons, and whether the objectives of the resettlement plan have been achieved by taking into account the baseline conditions and the results of resettlement monitoring. Disclose monitoring reports.



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### ESS3: Indigenous Peoples

#### **A. Objective**

1. To design and implement projects in a way that fosters full respect for indigenous peoples' identity, dignity, human rights, livelihood systems, and cultural uniqueness as defined by the indigenous peoples themselves so that they: (a) receive culturally appropriate social and economic benefits, (b) do not suffer adverse impacts as a result of projects; and (c) can participate actively in projects that affect them; and to focus on inclusive development of the indigenous peoples through development which is sustainable in nature.

#### **B. Scope and Application**

2. This Framework applies if the project would directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples or affects the territories or natural or cultural resources that indigenous peoples own, use, occupy, or claim as an ancestral domain or asset.
3. The term Indigenous Peoples is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the operation area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, institutions that are separate from those of the dominant society and culture; and (d) a distinct language, often different from the official language of the country or region. In considering these characteristics, national legislation, customary law, and any international conventions to which the country is a party is taken into account. A group that has lost collective attachment to geographically distinct habitats or ancestral territories in the operation area because of forced severance remains eligible for coverage, as indigenous peoples, under this Framework.

#### **C. Key Requirements**

4. The Client is required to address indigenous peoples in a way consistent with the key requirements as follows:
  - *Early screening:* Screen early on to determine (i) whether indigenous peoples are present in, or have collective attachment to the project area; and (ii) whether project impacts on indigenous peoples are likely.

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- *Social impact assessment:* Undertake a culturally appropriate and gender-sensitive social impact assessment or use similar methods to assess potential project impacts, both positive and adverse, on indigenous peoples communities.
- *Meaningful consultation:* Carry out a process of meaningful consultation with affected indigenous peoples communities and concerned indigenous peoples organizations, in a culturally appropriate and inclusive manner, and facilitate their informed participation: (a) in designing, implementing, and monitoring measures to avoid adverse impacts or, when avoidance is not possible, to minimize, mitigate, or compensate for such effects; and (b) in tailoring project benefits for affected indigenous peoples communities in a culturally appropriate manner. To enhance affected indigenous peoples' active participation, provide for culturally appropriate and gender inclusive capacity development under the project.
- *Participation:* Ensure that the consultation process: (a) involves Indigenous peoples' representative bodies and organizations (e.g., councils of elders or village councils, or chieftains) and, where appropriate, other community members; (b) provide sufficient time for Indigenous peoples decision-making processes; and (c) where applicable, allow for Indigenous peoples' effective participation in the design of project activities or mitigation measures that could potentially affect them either positively or negatively.
- *Indigenous peoples plan:* When adverse risks and impacts to indigenous peoples are identified through social impact assessment, develop indigenous peoples plan based on the social impact assessment with the assistance of qualified and experienced experts and would draw on indigenous peoples knowledge and participation by the affected Indigenous peoples communities. The plan would include: (a) a framework for continued consultation with the affected indigenous peoples communities during project implementation, (b) measures to ensure that indigenous peoples receives culturally appropriate benefits, (c) measures to avoid, minimize, mitigate, or compensate for any adverse project impacts, and (d) culturally appropriate grievance procedures, monitoring and evaluation arrangements, and a budget and time-bound actions for implementing the planned measures.
- *Information disclosure:* Disclose the draft plan, including documentation of the consultation process and the results of the social impact assessment in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected indigenous peoples communities and other

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stakeholders. Disclose the final plan and its updates to the affected indigenous peoples communities and other stakeholders in a timely manner.

- *Monitoring:* Monitor implementation of the plan using qualified and experienced experts, where necessary. Adopt a participatory monitoring approach, wherever possible. Assess whether the plan's objective and desired outcome have been achieved, taking into account the baseline conditions and the results of monitoring; and (iv) disclose monitoring reports.
- *Grievance mechanism:* Establish a culturally appropriate and gender-inclusive grievance mechanism to receive and facilitate timely resolution of the affected indigenous peoples concerns and grievances regarding the project's environmental and social performance; and scale the grievance mechanism to the risks and impacts of the project on the indigenous peoples.