

Environmental and Social Management System Arrangement

December 2016

Sri Lanka: Small and Medium-Sized Enterprises Line of Credit Project

Prepared by DFCC Bank for the Asian Development Bank.

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**SOCIAL AND ENVIRONMENTAL
MANAGEMENT SYSTEM
(SEMS)
OF DFCC BANK**



**PREPARED BY THE
SUSTAINABILITY UNIT
OF DFCC BANK
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LIST OF ABBREVIATIONS

AP	- Affected Persons
CAR	- Corrective Action Report
CEA	- Central Environmental Authority
DFI	- Donor Finance Institutions
DO	- District Office
EA	- Environmental Assessment
EAP	- Environmental Action plan
EIA	- Environmental Impact Assessment
EPL	- Environmental Protection License
FI	- Financial Institutions
GRM	- Grievance Redress Mechanism
IEE	- Initial Environmental Examination
IPP	- Indigenous Peoples Plan
LA	- Local Authorities
NCR	- Non-Conformances Report
NCRE	- Non-Conventional Renewable Energy
PIAL	- Prohibited Investment Activities List
PCDP	- Public Consultation & Disclosure Plan
PO	- Provincial office
REA	- Rapid Environmental Assessment
SA	- Social Assessment
SEMS	- Social and Environmental Management System
S&E	- Social and Environmental
TEC	- Technical Evaluation Committee

SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

A. SOCIAL AND ENVIRONMENTAL POLICY OF DFCC BANK

A1. INTRODUCTION

DFCC Bank, being a leading bank in Sri Lanka with over 60 years in existence, is committed to the promotion of sustainable development of the country as per our vision of “TO BE THE LEADING FINANCIAL SOLUTIONS PROVIDER SUSTAINABLY DEVELOPING INDIVIDUALS AND BUSINESSES”.

We recognize that development projects will have Social and Environmental (S&E) impacts. The Bank’s major S&E impacts tend to be indirect, arising from the provision of financial services to projects in sensitive sectors. Sensitive projects are likely to create significant unfavourable implications on both the society and the environment, as well as expose DFCC Bank to several risks, such as, liability, financial, reputational, credit and market risks.

Today there is growing public awareness and concern over environmental and social issues; this in turn is driving changes in consumer behaviour, investments, regulations etc. Various stakeholders including funding agencies are increasingly concerned over S&E issues relating to development projects. Compliance with environmental, social, health and safety standards, ensures continuity of the project by being conscious of all the stake holder’s expectations and also avoids costly litigation and corrective actions when they are found to be non compliant with minimum regulatory requirements.

Thus, we recognize the importance of good lending practices, which incorporate not only the sound financial viability but also social responsibility and environment protection and endeavours to be a responsible corporate citizen, committed to the uplifting of the society and preservation / enhancement of the environment in conducting all of its internal and external activities.

Furthermore, DFCC Bank as a signatory to the “Environmental and Social Management for Financial Institutions – CEO Roundtable 2015, Sri Lanka” is committed to promoting the adaptation of the eleven “Sustainable Banking Principles” in its operations.

DFCC Bank intends to manage S&E issues in both internal and external operations with a special focus on projects that the Bank has already financed or are in the pipeline to be financed. With the objective of incorporating the consideration on environment and social aspects as an integral part of our project appraisal and follow up activities, the following Social & Environmental Management System (SEMS) has been proposed.

The main objectives of the SEMS are as follows:

- Identifying and assessing all S&E risk factors of projects that seek financial assistance from the Bank in order to take appropriate investment decisions.
- Promote activities and investments that improve S&E conditions, make effective use of resources and comply with environmental laws and regulations
- To ensure that measures are incorporated to prevent the occurrence of adverse S&E impacts. This should be the preferred basis compared to other options such as minimizing, mitigating or compensation.
- To monitor S&E performance of projects financed by the Bank on a regular basis
- To manage the S&E aspects of the bank's in-house operations as an integral part of its business, complying with relevant regulations.

The main focus of the SEMS process is as follows:

- Application of SEMS to all new credit proposals/projects.
- Monitoring of S&E performance of existing projects on a regular basis

A2. S&E POLICY

DFCC Bank's S&E policy will involve the following;

2.1 Financing projects which;

- are financially sustainable, contribute to economic development and ensure protection of the society and the environment through efficient use of resources
- use renewable energy sources such as hydro, solar, wind and biomass in their operations or generate power using these renewable energy sources
- take account of the adverse S&E impacts of their operations and take appropriate steps to avoid, minimize and mitigate any risks.
- are designed, implemented and operated in compliance with all S&E laws and regulations of the government.
- adhere to relevant national / international S&E laws / agreements.

2.2 Managing its business in a socially and environmentally responsible manner, complying with legal requirements and recognizing corporate social responsibility commitments, e.g. non-discrimination against differently-able persons and protection of archaeological sites included in Archaeological Acts and Regulations.

2.3 Ensuring the well being of our employees.

2.4 Facilitating and encouraging industries to operate in a socially and environmentally acceptable manner with sufficient safeguards to minimize pollution.

A3. OPERATIONAL PRINCIPLES

3.1 In pursuit of 2.1 above, DFCC Bank;

- Evaluates S&E risks and effectiveness of mitigating measures as a part of the overall risk assessment process of project financing and adopts a project risk classification system in accordance with international best practice.
- Reviews S&E compliance during the project follow-up process through comprehensive checks on S&E concerns.
- Ensures that measures are incorporated to the project to prevent the occurrence of adverse S&E impacts. This is the preferred basis over other options, such as minimization, mitigation or compensation.
- Ensures that excluded sectors are not financed and the credit line funds are not used to finance projects in the excluded sectors specified by respective donor agencies such as ADB, DEG, EIB, FMO, JBIC, KFW, WORLD BANK etc.
- Requires all projects that DFCC Bank finances;
 - To operate in a socially and environmentally responsible manner, complying with relevant government laws and regulations. Ensures that environmental safeguards as defined by the Environmental Protection Act and Rules and Regulations issued by the Central Environmental Authority (CEA) of Sri Lanka, as well as relevant, internationally / nationally accepted best S&E practices are integrated into project design prior to its financing and complied with during implementation and operation.
 - To comply with S&E guidelines of donor agencies, such as ADB, DEG, EIB, FMO, KFW, WORLD BANK etc in addition to pursuing the above mentioned objectives, when credit line funds are used to finance projects.
 - To adopt fair practices concerning employees in terms of recruitment, career development, terms & conditions of work, representation irrespective of gender, respect their diversity, treat them equally, and pay wages as per industry norms or at least the statutory minimum.
 - To commit for a continued improvement of the SEMS to monitor the projects.
 - Not to employ forced and/or child labour.
 - To safeguard the cultural, religious and other properties of national importance.
- Ensures that communities affected by the project are consulted and the relevant information is disclosed, if the project creates adverse S&E impacts.

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- Ensures that if the project involves resettlement of communities and/or affects indigenous people, costs and other measures required for the restoration and possible improvement in the economic status of the affected communities are integrated into the project.

Involuntary Resettlement

A Resettlement Plan, including an assessment of social impacts is prepared if there is a significant involuntary resettlement impact from a project. An involuntary resettlement of 100 or more persons is considered as a significant involuntary resettlement impact. The extent of the physical and economic displacement and the vulnerability of the affected persons are considered when making the Resettlement Plan. Please refer to Annex 1 for a 'Checklist on Involuntary Resettlement Impact' and an 'Outline of a Resettlement Plan'.

Indigenous People

An Indigenous Peoples Plan (IPP), including an assessment of social impacts is prepared if there is an impact on indigenous people. Please refer to Annex 2 for an Indigenous Peoples Impact Screening Checklist' and an 'Outline of an IPP.

3.2 In pursuit of 2.2 above, DFCC Bank;

- Recognizes the importance of cordial industrial relationships and consultative work-place structures when providing finances.
- Carries out business activities complying with all legal requirements pertaining to S&E matters and fulfils the obligations to shareholders, employees, service providers, customers, and the public.
- Maintains very high standard of business ethics through commitment to good governance.
- Implements programs focusing on entrepreneur development and training, supports projects of national significance, urgent relief activities and community development etc.
- Provides employment opportunities to differently able people wherever possible, without any discrimination
- Sources low cost (concessionary) funds and promotes the effective use of such funds for S&E improvement, resource saving and renewable energy projects.
- Adopts environmental friendly operational procedures and best practices in S&E management including energy efficiency, recycling, waste reduction & proper disposal of waste etc. and continuously improves the adherence to these principles.
- Incorporates "Green Banking" to all aspects of operations with an aim to protect the environment and conserve natural resources.

3.3 In pursuit of 2.3 above, DFCC Bank;

- Adopts fair practices in terms of recruitment, career development, terms and conditions of work, and representation irrespective of gender.
- Recognizes and respects the diversity in race, colour, political opinion, religion or social origin amongst employees and treats them equally.
- Pays wages on par with or exceeding the industry norms, complying with legal requirements and provides several other benefits and welfare facilities to improve living standards of our employees.

3.4 In pursuit of objective 2.4 above, DFCC Bank;

- Provides necessary infrastructure facilities including effluent testing, centralized waste treatment and disposal, for industries using the Industrial Estate in Sapugaskanda and recommends industrialists to set up factories in other similar industrial zones.

A4. COMMUNICATION

4.1 DFCC Bank effectively communicates its S&E policies and operational guidelines to employees, service providers, customers, and other stakeholders, as appropriate. In order to maintain effective communication, DFCC Bank;

- Enters into formal, well defined, written contractual agreements with employees, service providers and customers.
- Collaborates with other financial institutions, government agencies and other concerned organizations to improve S&E aspects, increase knowledge and disseminate such information.
- Incorporates the S&E policy statement in the DFCC Bank's website and a sustainability report in the annual report.
- Provides employees with information and training to understand and implement the Bank's S&E policies and programs.
- Incorporates S&E requirements into the terms and conditions of loan facilities, as appropriate and verifies the compliance during the project follow-up process.
- Submits S&E status reports to donor agencies which provides credit lines and to other stakeholders as required.

Please refer to Annex 3 for a list of S&E laws and legislations applicable in Sri Lanka.

B. SOCIAL & ENVIRONMENTAL PROCEDURES OF DFCC BANK

DFCC's S&E risk assessment and follow-up process is an integral part of the facility approval, monitoring and follow-up process of project financing.

At the initial discussion with a client, DFCC will look into S&E implications and the proposed management plan to prevent / minimise adverse issues. The in-principle agreement to consider a loan facility to the proposed project will be based on the satisfactorily addressing of these aspects, amongst others.

B1 - Project Screening & Categorization

Project screening and categorization is undertaken to:

- (i) determine the significance of potential impacts or risks that a project might present with respect to the environment, involuntary resettlement and indigenous people, as well as for archaeological sites
- (ii) identify the level of assessment and institutional resources required to address safeguard issues; and
- (iii) determine the level of complexity and sensitivity of the projects, e.g. sourcing of materials during construction to be only from commercial sources.

The Bank has a Prohibited Investments Activities List (PIAL) in the way of a negative sectors list and a special clearance sectors list. These are given in Annex 4. These lists ensure that DFCC Bank follow good practice in its credit decisions and maintain its reputation as an institution ensuring safeguards compliance.

Checklists

A Social & Environmental Checklist is used during the detailed appraisal of social and environmental aspects of the project. This helps to identify relevant stakeholders, regulatory agencies and their requirements. Please refer to Annex 5 for the Social & Environmental Checklist.

The S&E Checklist ensures that the project proposal is in compliance with all regulatory requirements and includes necessary arrangements for the proper management of various requirements and issues.

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The project site is visited in order to verify the suitability of the site for the proposed activity and availability of necessary infrastructure facilities, observe the affected environment and identify critical S&E issues, if any.

In the process of assessing S&E issues of a project, the following aspects are examined in detail:

- Whether the S&E, health and safety issues have been properly identified
- Whether appropriate technologies / management plans have been incorporated to resolve these issues
- Ability to comply with relevant national laws and regulations and guidelines of relevant credit agencies
- Whether the waste minimization, waste recycling and energy efficiency aspects have been taken into consideration
- Whether the critical social issues, such as relocation of families, safeguarding their social status, compensation payments, etc. have been satisfactorily addressed
- Whether a proper archaeological assessment had been carried out
- S&E related requirements, if any, to be included in the terms and conditions, as pre-disbursement conditions to the loan facility

A loan facility to a project is considered only if the project has obtained all required approvals as per the existing laws of the country. However, if some approvals are pending due to reasons beyond the control of the project company, a loan facility may still be considered, by requiring the project company to obtain these approvals as part of the pre-disbursement conditions. In perusing these approvals, it is carefully examined whether the project meets requirements specified under the relevant laws.

In addition, DFCC Bank includes terms and conditions into the loan to ensure that the project will be in full compliance with the requirements specified under the national laws and regulations and with any other requirement of the Bank pertaining to S&E aspects.

Guidelines issued by donor agencies such as IFC, ADB, EIB, FMO, IDA / World Bank, etc. related to S&E aspects are followed when financing projects using respective credit lines.

Following guidelines will be included in the Project Appraisal Report format to assist a better evaluation of S&E factors:

- *Environmental and other institutional approvals required for the project*
- *Impact of the project during implementation / operation on the following:*
 - *Air (Air pollution - dust, smoke, etc.)*
 - *Land (Disposal of Industrial waste)*
 - *Water (Discharge of water and treatment)*
 - *Nature (Flora / Fauna)*
 - *Health & Safety*
 - *Sound*
- *Sourcing of raw materials, timber, water and earth, as well as disposal of construction debris*
- *Resettlement of people*
- *Land Filling, which may lead to flooding*
- *Social issues / opposition*

S&E risk factors are also taken into account when calculating the Credit Risk Rating of a prospective / existing client under “political, economic & regulatory environment”, which is computed prior to granting of a new facility. Other factors which are taken into account for the Credit Risk Rating calculation includes, competition from substitutes and / or susceptibility to technological change, industry maturity, financial performance (sales, profits, financial ratios), repayment and track record, management and availability of accounts. Major decisions, such as granting of a credit facility, pricing, level of follow-up activities, such as the number of site visits are all based on the Credit Risk Rating of the client.

Rapid Environmental Assessment (REA)

REA is intended to help to survey the environmental conditions of a particular location during a specific period of time – the purpose being to identify any existing or potential problem areas or concerns with specific regards to the use of natural resources, but also considering broad social and economic impacts.

Please refer to Annex 6 for REA checklists for both general and specific industries. These will be used by the Sustainability Unit for selected projects.

Grievance Redress Mechanism (GRM)

People adversely affected (or about to be affected) by a development project will raise their grievances and dissatisfactions about actual or perceived impacts, in order to find a satisfactory solution. These grievances, influenced by their physical, situational (e.g. employment), and/or social losses, can surface at different stages of the project cycle. Not only should Affected Persons (APs) be able to raise their grievances and be given an adequate hearing, but also satisfactory solutions should be found that mutually benefit both the APs and the project. It is equally important that APs have access to legitimate, reliable, transparent and efficient institutional mechanisms that are responsive to their complaints.

Please refer to Annex 7 for a basic guidance on GRM. Please also refer to Annex 13 (Environmental Incident Report), which is the document used to record any incidents or complaints received regarding a project. The Environmental Incident Report will be compiled and systematically archived for record purposes.

Public Consultation and Disclosure

A plan for public consultation is a valuable tool to guide the project sponsor in involving project-affected groups and other stakeholders in the development and implementation of a project, as well as in the disclosure of project and environmental and social information. At this early stage, the plan will help the project sponsor consider issues that will need to be addressed and the course of action most suited to achieve this.

Please refer to Annex 8 for a basic guidance on Public Consultation and Disclosure.

Project Classification

Projects are categorized into 3 main categories for the purpose of screening and assessment.

Category A

These are 'High Risk' Projects with significant adverse S&E impacts that are sensitive, diverse, or unprecedented. A potential impact is considered sensitive if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites.

Category B

These are business activities with specific S&E impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and international best practice. Potential adverse S&E impacts on human populations or environmentally important areas are less adverse than those of High Risk transactions.

Category C

These are business activities with minimal or no adverse S&E impacts.

Category (FI): Financial Intermediaries

Assigning Financial Intermediaries (FI) as a risk category to those transactions involving clients such as banks, microfinance institutions, private equity funds, and leasing and insurance companies, which act as FIs in making financing available to other clients. By assigning the FI Category, the S&E risks related to these types of transactions can be managed accordingly.

Projects are classified into the above categories at the time of appraisal. This categorization will have to be reconfirmed after carrying out the appraisal. Sustainability Unit will assist in this reconfirmation, especially the loans funded by / implemented with the use of donor finance institution (DFI) funds,

Categorization and List of Project s

Projects which have to carry out an Environmental Impact Assessment (EIA) as per the list of 'Prescribed Projects' detailed in Gazette No. 772/22 of 24 June 1993 (amended by Gazette Extra Ordinary No. 1104/22 of 5 November 1999), falls into Category A. Only large-scale development projects that are likely to have significant impacts on the environment are listed as prescribed projects. The projects are prescribed according to two categories:

1. By Type and Magnitude
2. By location

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EIA is an internationally accepted transparent process to predict and identify potentially significant environmental impacts of development proposals and to suggest mitigation measures to minimize the negative impacts and to maximize the positive impacts.

Please refer to Annex 9 and 10 for the CEA recommended format of an EIA report and a detailed list of projects coming under Category A, respectively.

Category B projects are further categorized as follows:

Category B1 - These are the projects that require close monitoring / follow-up of S&E factors.

The criteria for this category are as follows:

- Projects which have to carry out an Initial Environmental Examination (IEE) as per the list of 'Prescribed Projects' detailed in Gazette No. 772/22 of 24 June 1993 (amended by Gazette Extra Ordinary No. 1104/22 of 5 November 1999)
- If the proposed Activity of the project is listed under Category A in Gazette No. 1533/16 of 25 January 2008 on Environmental Protection License (EPL), but exempted from EIA Regulations
- If the Project is exempted from EPL Regulations but has high risk potential
- All Non Conventional Renewable Energy (NCRE) projects which do not require an EIA
- If there is a known significant public or NGO objection

Category B2 - These are the projects that require regular monitoring / follow-up of S&E factors.

The criteria for this category are as follows:

- If the proposed Activity of the project is listed under Category B in Gazette No. 1533/16 of 25/1/2008 on EPL, but exempted from EIA Regulations
- If there is public or NGO interest or objection potential

Category C includes projects that require less monitoring / follow-up of S&E factors than for Category B2. Criteria for category C are as follows:

- If the proposed Activity of the project is listed under Category C in Gazette No. 1533/16 of 25/1/2008 on EPL
- If the Project is exempted from EPL Regulations and has low risk potential
- If there is no or limited public or NGO interest or objection potential

Please refer to Annex 11 for the list of projects under Parts A, B and C in Gazette No. 1533/16 of 25/1/2008 for the EPL.

Annex 12 provides details of the following approvals to be obtained from the CEA for different types of projects:

- EPL – Categories B1, B2 and C
- Environmental Recommendation / Site Clearance - Categories B1, B2 and C
- Scheduled Waste Management (Hazardous Waste Management) Licensing

In addition to the above basic approvals from the CEA, projects also need to obtain various approvals from different government agencies / authorities. These vary for each project type and are usually mentioned in the Environmental Recommendation. Given below is a list of such approvals:

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- Approval from the Divisional Secretariat
- Approval from the Pradeshiya Sabha
- Approval from the National Water Supply & Drainage Board
- Approval from the Irrigation Department
- Electricity Generating License from the Ministry of Power & Energy*
- Letter of Intent / Power Purchase Agreement with the Ceylon Electricity Board*
- Permit for the Project from Sri Lanka Sustainable Energy Authority*
- Permit from the Public Utilities Commission of Sri Lanka
- Approval from the Board of Investment of Sri Lanka
- Approval from the Department of Agrarian Development
- Approval from the Urban Development Authority
- Approval from the Road Development Authority
- Approval from the Department of Archaeology
- Clearance from the Department of Wild Life Conservation
- Preliminary Planning Clearance for residential development from the Condominium Management Authority**
- Height Clearance from the Civil Aviation Authority***
- Approval under the North Western Province Environmental Statute (Only for projects in the North Western Province)

* Specific to Renewable Energy Projects

** Specific to Condominium projects

*** Specific to High Rise Buildings

The above is not an exhaustive list.

Preparation of social and environmental assessments plans

Given below is a list of documents that need to be prepared / obtained for each project category:

Category A

- EIA for 'Prescribed Projects', detailed in Gazette No. 772/22 of 24 June 1993 (amended by Gazette Extra Ordinary No. 1104/22 of 5 Nov 1999)
- A Resettlement Plan for involuntary resettlement
- An Indigenous Peoples Plan for Indigenous People

Category B1

- EPL for projects listed under Category A in Gazette No. 1533/16 of 25 January 2008
- IEE as per the list of 'Prescribed Projects' detailed in Gazette No. 772/22 of 24 June 1993 (amended by Gazette Extra Ordinary No. 1104/22 of 5 November 1999)

Category B2

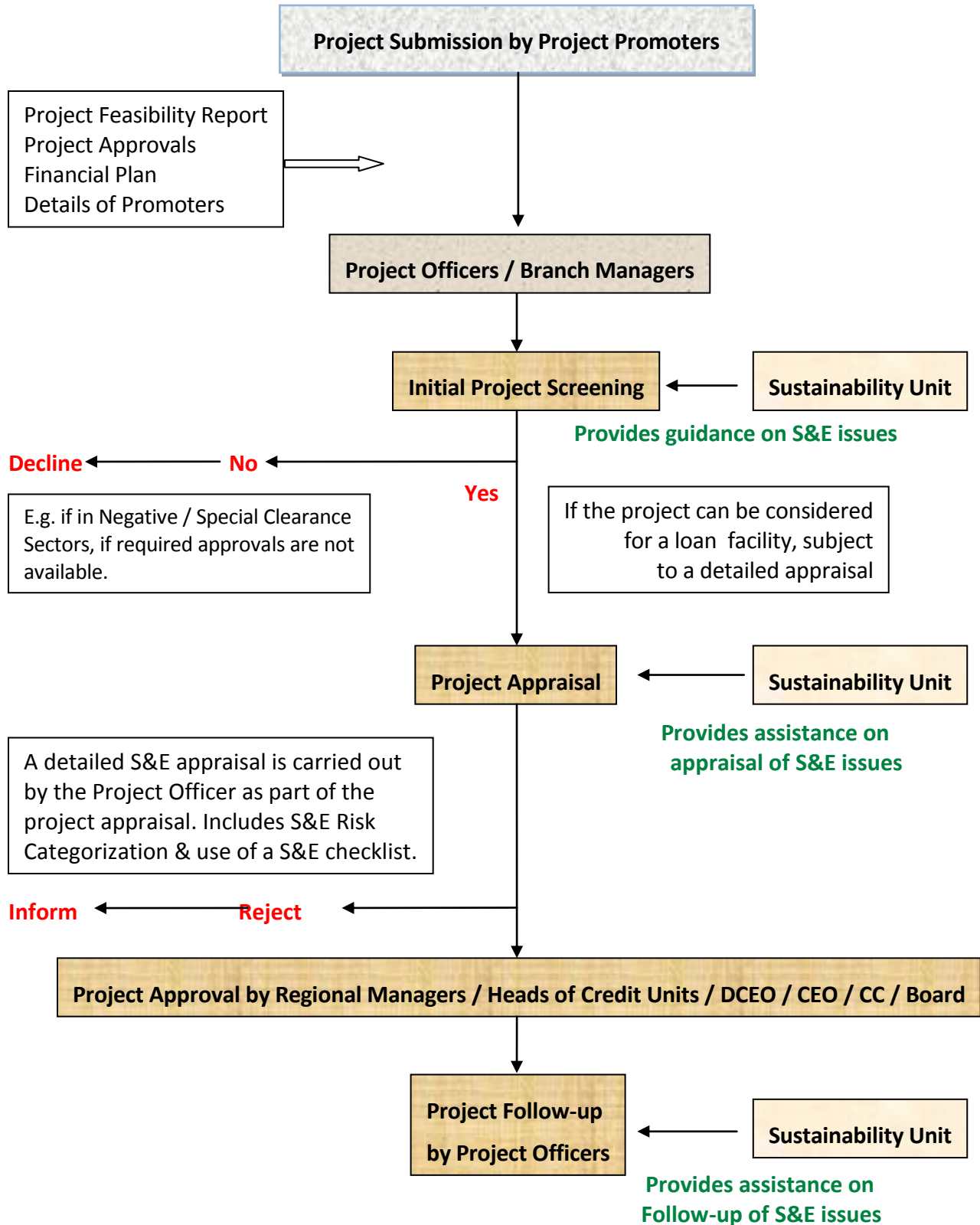
- EPL for projects listed under Category B in Gazette No. 1533/16 of 25 January 2008

Category C

- EPL for projects listed under Category C in Gazette No. 1533/16 of 25 January 2008

Implementation arrangements

Given below is the 'Process Flow' for a project loan, especially relating to S&E aspects:



B2. Project monitoring and supervision

Performance of projects is regularly monitored throughout their construction, completion and operational phases by Project Officers attached to the respective credit divisions. This includes monitoring / checking the validity period of project approvals, such as the EPL and Environmental Recommendation / Site Clearance.

During the follow up process, monitoring of environmental and social performance will be done with the attention to the following:

- Whether the project complies with the terms & conditions imposed by the Bank
- Whether there are changes in the project concept or design during the implementation process and whether it will result in adverse S&E impacts.
- Whether the approval was obtained for the change from relevant authorities and whether any amendment is required in the environment management plan.
- Whether S&E safeguard measures are maintained on a continuous basis.
- Whether any major accident, fire, spillage, work stoppage or labour dispute has occurred and if appropriate action has been taken to minimize the losses.

Inspection of project sites is mandatory and in general projects which are in successful operation are inspected on an annual or bi-annual basis. However, projects which require close monitoring are inspected more frequently.

The frequency of site visits is based on the S&E risk category of the project, in addition to the Credit Risk. S&E risk categorization is carried out at the time of the project appraisal and thereafter on an annual basis.

Accordingly, low and medium risk projects (Categories F, C and B2) are visited on an annual or bi-annual basis. High risk projects (Categories B1 and A) are visited more frequently and monitored more closely. When an existing client requires financing for an expansion or a modernization, the project is visited prior to commencing the appraisal of the project.

S&E performance is monitored during the visits and issues are discussed with the relevant company officials, employees, public, etc., as necessary. If an environmental action plan was agreed with the client, the progress is assessed in respect of the action plan during the monitoring process. It is also examined whether the project promoters are committed to maintaining S&E safeguards on a regular manner.

An 'Incident and Monitoring Report' provides the parameters which will be monitored and reported. The incident report contains monthly updates and other "incidents" that may have occurred onsite, i.e., delays in project implementation due to some accidents while construction was ongoing, minor complaints received, etc. The monitoring report serves as a compilation of the incident reports and will have to be submitted on a biannual / annual basis.

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Please refer to Annex 13 for 'Incident and Monitoring Report' formats and 'Visit Report' formats for projects under implementation / completion and projects in operation. The project follow up officer should prepare the site visit report/ project completion report within 2 weeks of the visit and submit it to the respective Unit Manager. S&E issues should be highlighted in these reports.

DFCC also requests clients to submit copies of necessary documents for reviewing performance such as, EPL, environmental performance reports, progress reports, certifications, insurance certificates etc., in addition to the annual accounts and business performance related information.

DFCC Bank provides necessary training / capacity building to the lending staff to ensure proper monitoring and supervision of projects. The training is provided locally, as well as internationally with programmes exclusively designed for the Bank's staff.

Minimising adverse impacts on the environment remains a key area of focus in the Bank's sustainability strategy. Although the direct impact to the environment through bank's operations is minimal, it is committed to managing the Bank's resources efficiently. The Bank's commitment to environmental sustainability is threefold:

1. Managing resource consumption
2. Supporting environmental initiatives
3. Encouraging responsible investments.

Under the Bank's "Commitment to environmental sustainability", the resource consumption of the Bank is periodically reviewed to establish new and innovative methods of conserving and managing resources. The Bank is committed to progressively increase the efficiency of resources utilisation. In this respect, all internal correspondence is restricted to emails, while internal management meetings are conducted through technological solutions, which utilize handheld devices for review and transfer of information.

The Bank gives due emphasis to S&E appraisal in making investment decisions and managing internal operations.

Proper fire prevention / protection, employee and customer safety and comfort, ergonomics, lighting, ventilation, first aid and medical facilities, proper access for disabled, proper housekeeping etc. have been well organized, monitored and if necessary updated. For Bank employees, fire drills, evacuation procedures, emergency training, health and safety programs etc are conducted to refresh the awareness of employees on these aspects.

In addition, the Bank's corporate social initiatives are geared to create long-term social value for the communities in which the Bank operates. The Bank's Corporate Social Responsibility (CSR) concept extends well beyond charitable donations and is considered an integral part of the Bank's business strategy. In addition to the main CSR project, the branch staff is encouraged to engage with the local communities through education and community development projects. DFCC Bank's mission of nurturing business enterprises and creating value for all stakeholders exemplifies its development role in Sri Lanka's economic and social landscape.

C. SOCIAL & ENVIRONMENTAL RESPONSIBILITIES AT DFCC BANK

A. COMMITMENT TO S&E POLICY – BY THE SENIOR MANAGEMENT

The Head of the Sustainability Unit who reports directly to the Chief Executive Officer (CEO) is responsible for the Bank's overall commitment to S&E policy. Senior Management, through the Credit Committee, establishes the Bank's S&E requirements and conditions for clients. In cases of unresolved S&E issues or non-compliance associated with a transaction that cannot be resolved by the Loan Officers / Relationship Managers, Senior Management (Heads of Corporate Banking, Branch Banking and Business Banking), in consultation with the Head of the Sustainability Unit determines the appropriate course of action to follow to reduce the Bank's potential exposure to S&E risks, which may include taking legal action against the client.

B. SEMS IMPLEMENTATION – BY THE SUSTAINABILITY MANAGER

Sustainability Manager is responsible for leading the Bank's effort to develop the SEMS as well as for communicating with senior management on S&E issues and concerns.

In addition, Sustainability Manager is responsible for developing and updating the procedures and documents that are part of the Bank's SEMS. Sustainability Manager also evaluates the S&E risks at the portfolio level and provides assistance to Loan Officers / Relationship Managers in evaluating and monitoring the S&E performance of clients.

C. SEMS MONITORING AND REPORTING – BY THE SUSTAINABILITY MANAGER

Loan Officers / Relationship Managers are responsible for following the procedures of the SEMS at the transaction level. They discuss and negotiate possible S&E mitigation measures with the client. The Sustainability Manager is responsible for the overall monitoring and reporting of the SEMS.

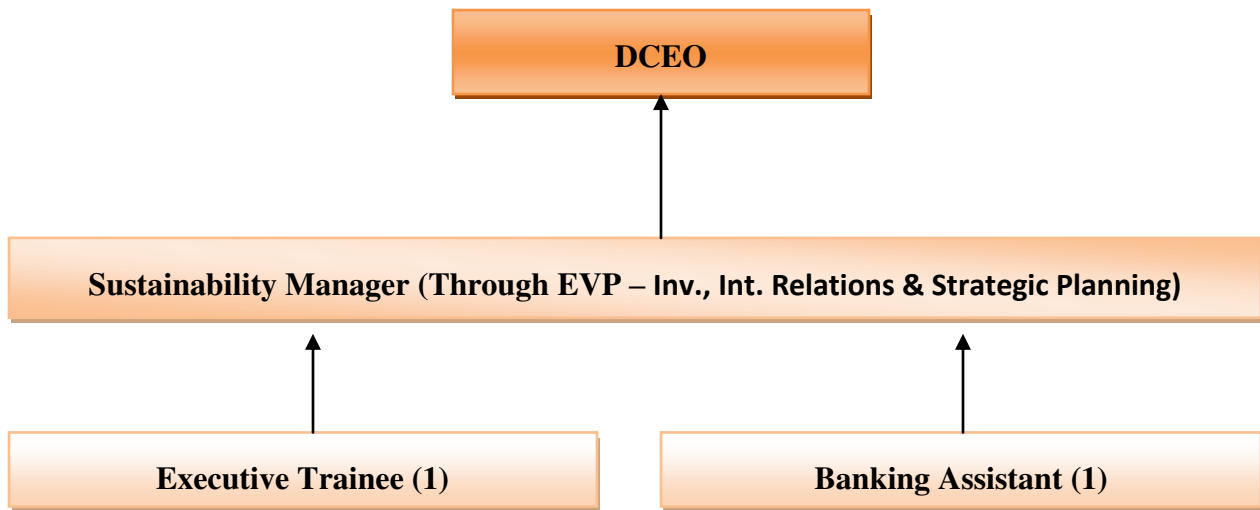
D. S&E DECISION MAKING RELATED TO PROJECT APPRAISALS AND FOLLOW-UP – BY THE CREDIT COMMITTEE

Credit Committee is responsible for deciding if S&E risks are acceptable to the Bank's overall exposure to risk prior to approving facilities. Credit Committee is also responsible for deciding the methods of evaluating S&E risks in project appraisals and follow-up, e.g. introduction / updating of the S&E checklist for project appraisals and project visit reports.

E. S&E COVENANTS – BY THE LEGAL DEPARTMENT

The Legal Department ensures that the Bank's S&E requirements are incorporated in loan / facility agreements for each facility. The Legal Department may advise if a client's non-compliance with S&E clauses constitutes a breach of contract and is considered an Event of Default under the terms of the loan / facility agreement that requires follow up by Senior Management.

Proposed structure for the SEMS Implementation, Monitoring & Reporting



D. SOCIAL & ENVIRONMENTAL TRAINING AT DFCC BANK

Staff responsible for credit appraisal and follow-up has to complete the S&E sub-modules under the Sustainability Module in the E-Learning Portal by accessing the internal web. All staff is encouraged to access the Sustainability Module in the E-Learning Portal. This online training provides an understanding of sustainable finance and outlines how financial institutions can identify and manage S&E risks and opportunities, as well as an overall knowledge on sustainability and S&E issues, such as climate change.

A dedicated training program will be developed for all staff with responsibilities for implementing the procedures of the SEMS. This training program will be conducted for all new staff and periodically for existing staff. Typical training formats include workshops, seminars, interactive sessions and office meetings. If needed, the Bank will hire an external consultant to help develop and conduct the necessary training, e.g. training on environmental laws and regulations.

The training will highlight the purpose of the SEMS in managing S&E risks as well as specific expectations of staff in doing so. The training will also familiarize staff with S&E risk management procedures and their roles and responsibilities.

Additional periodic training may be required as updates and revisions are made to the SEMS, to share practical experience obtained through the implementation of the SEMS and to further motivate staff to pro-actively identify new environmental business opportunities.

E. SOCIAL & ENVIRONMENTAL REPORTING AT DFCC BANK

DFCC Bank endeavours to make all stakeholders understand that we view S&E aspects as fundamental elements of our activities. Therefore, the Bank's communication strategy is focused on promoting this commitment. The Bank will also actively involve all employees in the Bank's S&E policies and procedures, through appropriate communication and information.

To emphasize the importance of the SEMS, the commitment of Senior Management to S&E issues will be communicated on a frequent basis. The purpose of the SEMS and its supporting procedures will also be communicated to all staff through emails, staff meetings, newsletters, presentations and seminars.

Bank's SEMS will include periodic reporting on the S&E performance of transactions and measures taken to reduce its overall exposure to environmental and social risk.

The Bank will compile all S&E findings from project loan clients and aggregate findings at the portfolio level. By analyzing this information, DFCC Bank can have a better understanding of its overall exposure to S&E risk through its portfolio.

S&E performance reports will typically include information on:

- Overall exposure to S&E risks and performance
- High-risk transactions and S&E due diligence process prior to transaction approval
- Major S&E risks of individual transactions, including cases of non-compliance
- Significant S&E incidents related to a transaction
- Implementation and changes in the SEMS

DFCC Bank has internal and external reporting requirements regarding the S&E risks and impacts associated with its portfolio, for which internationally adopted sustainability reporting guidelines will be followed.

Method of capturing compliance with the framework on S&E factors for reporting purposes

Purpose of the following is to monitor the S&E compliance by the client during project implementation and operations. A quarterly report will be generated to highlight the overall status of S&E compliance and any danger signals / problem areas to the management.

A. Obtain the following information on all term loan approvals:

- a) Name of Client
- b) Department / Branch
- c) Loan amount and date approved
- d) Client's business
- e) Purpose of the loan
- f) Client's Credit Risk Classification

B. Categorizing the loan portfolio as per the S&E risk classification criteria detailed above.

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

- C. Obtain the following information on projects in A and B1 categories on a periodic basis for monitoring of the S&E factors:
 - a) Status of obtaining required approvals for the project and their renewal on due dates and copies of such approvals where necessary, especially the EPL – From the Branch / Credit Department
 - b) Information on Site Visits made by the Bank – From the Branch / Credit Department
 - c) Environmental Monitoring Plan - From the Project Company
 - d) Information on any litigation action / negative publicity on the project – From the Client / Public domain / Contacts / Related Parties
 - e) Progress of meeting the requirements of relevant stakeholders and regulatory agencies – From the Branch / Credit Department and From the Project Company

- D. To monitor the conformity with S&E guidelines of donor agencies, such as ADB, DEG, EIB, FMO, kFW, WORLD BANK etc in addition to DFCC Bank's guidelines, when credit line funds are used to finance projects. – From the Branch / Credit Department and From the Project Company

Annexes

Checklist on Involuntary Resettlement Impact

Involuntary Acquisition of Land

Probable Involuntary Resettlement Effects	Yes	No	Not Known	Remarks
Involuntary Acquisition of Land				
1. Will there be land acquisition?				
2. Is the site for land acquisition known?				
3. Is the ownership status and current usage of land to be acquired known?				
4. Will easement be utilized within an existing Right of Way (ROW)?				
5. Will there be loss of shelter and residential land due to land acquisition?				
6. Will there be loss of agricultural and other productive assets due to land acquisition?				
7. Will there be losses of crops, trees, and fixed assets due to land acquisition?				
8. Will there be loss of businesses or enterprises due to land acquisition?				
9. Will there be loss of income sources and means of livelihoods due to land acquisition?				
Involuntary restrictions on land use or on access to legally designated parks and protected areas				
10. Will people lose access to natural resources, communal facilities and services?				
11. If land use is changed, will it have an adverse impact on social and economic activities?				
12. Will access to land and resources owned communally or by the state be restricted?				
Information on Displaced Persons				
Any estimate of the likely number of persons that will be displaced by the Project? [] No [] Yes If yes, approximately how many? _____				
Are any of them poor, female-heads of households, or vulnerable to poverty risks? [] No [] Yes				
Are any displaced persons from indigenous or ethnic minority groups? [] No [] Yes				

OUTLINE OF A RESETTLEMENT PLAN

This outline is part of the Safeguard Requirements 2. A resettlement plan is required for all projects with involuntary resettlement impacts. Its level of detail and comprehensiveness is commensurate with the significance of potential involuntary resettlement impacts and risks. The substantive aspects of the outline will guide the preparation of the resettlement plans, although not necessarily in the order shown.

A. Executive Summary

This section provides a concise statement of project scope, key survey findings, entitlements and recommended actions.

B. Project Description

This section provides a general description of the project, discusses project components that result in land acquisition, involuntary resettlement, or both and identify the project area. It also describes the alternatives considered to avoid or minimize resettlement. Include a table with quantified data and provide a rationale for the final decision.

C. Scope of Land Acquisition and Resettlement

This section:

- (i) discusses the project's potential impacts, and includes maps of the areas or zone of impact of project components or activities;
- (ii) describes the scope of land acquisition (provide maps) and explains why it is necessary for the main investment project;
- (iii) summarizes the key effects in terms of assets acquired and displaced persons; and
- (iv) provides details of any common property resources that will be acquired.

D. Socioeconomic Information and Profile

This section outlines the results of the social impact assessment, the census survey, and other studies, with information and/or data disaggregated by gender, vulnerability, and other social groupings, including:

- (i) define, identify, and enumerate the people and communities to be affected;
- (ii) describe the likely impacts of land and asset acquisition on the people and communities affected taking social, cultural, and economic parameters into account;
- (iii) discuss the project's impacts on the poor, indigenous and/or ethnic minorities, and other vulnerable groups; and
- (iv) identify gender and resettlement impacts, and the socioeconomic situation, impacts, needs, and priorities of women.

E. Information Disclosure, Consultation, and Participation

Indigenous Peoples Impact Screening Checklist

KEY CONCERNS (Please provide elaborations on the Remarks column)	Yes	No	Not Known	Remarks
A. Indigenous Peoples Identification				
1. Are there socio-cultural groups present in or use the project area who may be considered as "indigenous communities" in the project area?				
2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the project area as belonging to "ethnic minorities", scheduled tribes, tribal peoples, national minorities, or cultural communities?				
3. Do such groups self-identify as being part of a distinct social & cultural group?				
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?				
6. Do such groups speak a distinct language or dialect?				
7. Has such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?				
8. Are such groups represented as "Indigenous Peoples" or as "ethnic minorities" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?				
B. Identification of Potential Impacts				
9. Will the project directly or indirectly benefit or target Indigenous Peoples?				
10. Will the project directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)				
11. Will the project affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)				
12. Will the project be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?				
C. Identification of Special Requirements - Will the project activities include:				
13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?				
14. Physical displacement from traditional or customary lands?				
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?				
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by indigenous peoples ?				
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?				

Outline of an Indigenous Peoples Plan

This outline is part of the Safeguard Requirements 3. An Indigenous Peoples plan (IPP) is required for all projects with impacts on Indigenous Peoples. Its level of detail and comprehensiveness is commensurate with the significance of potential impacts on Indigenous Peoples. The substantive aspects of this outline will guide the preparation of IPPs, although not necessarily in the order shown.

A. Executive Summary of the Indigenous Peoples Plan

This section concisely describes the critical facts, significant findings, and recommended actions.

B. Description of the Project

This section provides a general description of the project; discusses project components and activities that may bring impacts on Indigenous Peoples; and identify project area.

C. Social Impact Assessment

This section:

- (i) reviews the legal and institutional framework applicable to Indigenous Peoples in project context.
- (ii) provides baseline information on the demographic, social, cultural, and political characteristics of the affected Indigenous Peoples communities; the land and territories that they have traditionally owned or customarily used or occupied; and the natural resources on which they depend.
- (iii) identifies key project stakeholders and elaborate a culturally appropriate and gender-sensitive process for meaningful consultation with Indigenous Peoples at each stage of project preparation and implementation, taking the review and baseline information into account.
- (iv) assesses, based on meaningful consultation with the affected Indigenous Peoples communities, the potential adverse and positive effects of the project. Critical to the determination of potential adverse impacts is a gender-sensitive analysis of the relative vulnerability of, and risks to, the affected Indigenous Peoples communities given their particular circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to those available to other social groups in the communities, regions, or national societies in which they live.
- (v) includes a gender-sensitive assessment of the affected Indigenous Peoples' perceptions about the project and its impact on their social, economic, and cultural status.
- (vi) identifies and recommends, based on meaningful consultation with the affected Indigenous Peoples communities, the measures necessary to avoid adverse effects or, if such measures are not possible, identifies measures to minimize, mitigate, and/or compensate for such effects and to ensure that the Indigenous Peoples receive culturally appropriate benefits under the project.

LIST OF SOCIAL AND ENVIRONMENT LAWS AND LEGISLATIONS APPLICABLE IN SRI LANKA

ACTS

- National Environmental Act No. 47 of 1980
- National Environmental (Amendment) Act, No. 56 of 1988
- National Environmental (Amendment) Act, No. 53 of 2000
- Wages Board Ordinance of 1941
- Shop and Office Employees Act of 1954
- Factories Ordinance of 1950
- Companies Act No. 07 of 2007

REGULATIONS**Environment Protection**

- Order published under the Gazette Notification No. 1533/16 dated 25.01.2008
(Re: Environmental Protection License Prescribed Activities)
- Order published under the Gazette Notification No. 1534/18 dated 01.02.2008
(Re: National Environmental Protection & Quality Regulations)
- Regulations published under the Gazette Notification No. 850/4 dated 20.12.1994
(Re: Appeal Procedure)

Air Quality

- Regulations published under the Gazette Notification No. 1295/11 dated 30.06.2003
(Re: Air emission, fuel & vehicle importation standards)
- Order published under the Gazette Notification No. 1309/20 dated 10.10.2003
(Re: Prohibition of Ozone depleting substances)
- Order published under the Gazette Notification No. 1557/14 dated 09.07.2008
(Re: List of vehicle exhaust emission standards)
- Regulations published under the Gazette Notification No. 1562/22 dated 15.08.2008
(Re: Permissible Ambient Air Quality Standards in relation to class of Air Pollutants)
- Amended Regulations published under the Gazette Notification No. 1887/20 dated 05.11.2014 with the corrected Gazette Notification No. 1895/43 dated 02.01.2015
(Re: Air emission, fuel & vehicle Importation standards)

Noise

- Order published under the Gazette Notification No. 924/12 dated 23.05.1996
(Re: industrial noise pollution)
- Order published under the Gazette Notification No. 973/7 dated 30.04.1997
(Re: Amendment to Gazette Notification No. 924/12 dated 23.05.1996)
- Order published under the Gazette Notification No. 1738/37 dated 29.12.2011
(Re: National Environmental (vehicle horns) Regulations)

Waste Management

- Order published under the Gazette Notification No. 1466/5 dated 10.10.2006
(Re: Prohibition of Polythene or any polythene product of 20 micron or below in thickness)
- Regulations published under the Gazette Notification No. 1534/18 dated 01.02.2008
(Re: License for discharge, emission or disposal of waste/scheduled waste management)
- Order published under the Gazette Notification No. 1627/19 dated 10.11.2009
(Re: Municipal Solid Waste)

EIA Regulations

- Order published under the Gazette Notification No. 772/22 dated 24.06.1993
(Re: Procedure for approval of projects & prescribed projects)
- Order published under the Gazette Notification No. 859/14 dated 23.02.1995
(Re: Project Approving Agencies)
- Order published under the Gazette Notification No. 1104/22 dated 05.11.1995
(Re: Amendments to prescribed projects)
- Regulation published under the Gazette Notification No. 1283/19 dated 10.04.2003
(Re: Upper Kotmale hydro power project)
- Order made under the Gazette Notification No. 1108/12 dated 29.11.1999
- Order made under the Gazette Notification No. 1373/6 dated 29.12.2004
(Re: Appointing Forest Department as a Project Approving Agency)

NEGATIVE SECTORS AND SPECIAL CLEARANCE SECTORS

Negative Sectors

1. Military Equipment financing.
2. Companies which are blacklisted by authorities for their involvement in unlawful activities.
3. Company which can reasonably be assessed by DFCC for their involvement in unethical or unlawful activities including (but not limited to) money laundering, terrorist financing, human trafficking, arm smuggling, porn/linked etc.
4. Projects which are environmentally **destructive** as per the view of the Bank.
5. Projects which engage child labour.
6. Taking or financing an **unhedged** position on a derivatives transaction.
7. Manufacturing or trading in arms, ammunition or effective weapons

Advances to the above sectors are prohibited

Special Clearance Sectors

The following sectors shall constitute the Special Clearance sectors for the purpose of providing new financial accommodation and advances by DFCC Bank

1. Lending on secondary mortgages when the primary mortgage is held by another bank/financial institution.
2. Borrowers and promoters with non/performing exposures to the DFCC.
3. First time exposure of politically exposed borrowers or individuals holding office. This includes borrowers with majority ownership by the Government of Sri Lanka or any other country.
4. Gaming and Gambling.
5. Foreign, local NGO's and Charities.
6. Associations and clubs.
7. Start up industries with unproven technology.
8. Productions and/or distribution of motion pictures.
9. Taking an equity stake in borrowers.
10. Commercial property development exposure over Rs. 100.0 Mn intended for 3rd party use over 30% of usable space.
11. Condominium residential property developments.
12. Financing Aircrafts and Ships.
13. Purchase of equity (other than margin trading) and Equity Financing.
14. Newspaper, radio and television broadcasting (other than existing relationships).
15. Financing speculative transactions.
16. Logging, Mineral extraction or mining over Rs. 20.0 Mn.
17. Facilities to fishing and prawn farming over Rs.10Mn and above, excluding processing, exports and related activities

SOCIAL AND ENVIRONMENTAL CHECKLIST FOR PROJECT APPRAISAL	
1	<p>Has the Client obtained an Environmental approval for the project from the relevant authority?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>If 'No'. find out the reasons and the expected time frame for obtaining the same.</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>If 'Yes', will it expire prior to the scheduled commencement of commercial operations?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
2	<p>Is the IEE (Initial Environmental Examination) or the EIA (Environmental Impact Assessment) report in our files?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/></p>
3	<p>Has the Client complied with or initiated necessary steps to fulfill the requirements stipulated in the Environmental Approval, including obtaining other required approvals?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>If 'No', what are the reasons and what are the planned time frame for each?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
4	<p>Is there an Environmental Monitoring / Management Plan?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/></p>

5 If the bank facility is for a change, alteration or an extension to an existing business / project, does the existing entity has a valid Environmental Protection License (EPL) and have they applied for a renewal of the existing EPL? (Client should apply for a renewal one month before effecting any changes, alterations or extensions.)

Yes No N/A

If 'No', what are the reasons?

.....
.....
.....
.....

6 Is waste disposal, i.e. water, food & other items (both during construction and commercial operations) carried out / planned to be carried out in a satisfactory manner?

Yes No N/A

7 Will there be resettlement of people as a result of the project?

Yes No

If 'Yes', what is the basis of arriving at the amount of compensation?

.....
.....
.....
.....

8 Has there been agitation / opposition towards the commencement / construction of the project from villagers by way of protests, complaints, negative media campaigns, etc ?

Yes No

If 'Yes', what are the reasons for these agitations / opposition?

.....
.....
.....
.....

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

9 Does the project causes people / any community or to any endangered species of animals to lose access to natural resources
e.g. water, traditional habitats or communal facilities?

Yes No

10 Has the project installed / planning to install necessary safety measures, such as fire prevention facilities?

Yes No N/A

RAPID ENVIRONMENTAL ASSESSMENT CHECKLISTS (REAs)

1. Rapid Environmental Assessment (REA) Checklist – General

Project Title:

Credit Unit / Branch:

	Yes	No	Remarks
A. Project Siting			
Is the Project area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Legally protected Area (core zone or buffer zone)			
• Wetland			
• Mangrove			
• Estuarine			
• Special area for protecting biodiversity			
B. Potential Environmental Impacts			
Will the Project cause...			
impairment of historical/cultural areas; disfiguration of landscape or potential loss/damage to physical cultural resources?			
disturbance to precious ecology (e.g. sensitive or protected areas)?			
alteration of surface water hydrology of waterways resulting in increased sediment in streams affected by increased soil erosion at construction site?			
deterioration of surface water quality due to silt runoff and sanitary wastes from worker-based camps and chemicals used in construction?			
increased air pollution due to project construction and operation?			
noise and vibration due to project construction or operation?			
involuntary resettlement of people? (physical displacement and/or economic displacement)			
disproportionate impacts on the poor, women and children, Indigenous Peoples or other vulnerable groups?			
poor sanitation and solid waste disposal in construction camps and work sites, and possible transmission of communicable diseases (such as STI's and HIV/AIDS) from workers to local populations?			
creation of temporary breeding habitats for diseases such as those transmitted by mosquitoes and rodents?			
social conflicts if workers from other regions or countries are hired?			
large population influx during project construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during project construction and operation?			

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel and other chemicals during construction and operation?			
community safety risks due to both accidental and natural causes, especially where the structural elements or components of the project are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			
generation of solid waste and/or hazardous waste?			
use of chemicals?			
generation of wastewater during construction or operation?			

RAPID ENVIRONMENTAL ASSESSMENT CHECKLISTS (REAs)

2. Rapid Environmental Assessment (REA) Checklist – Wind Energy

Project Title:

Credit Unit / Branch:

	Yes	No	Remarks
A. Project Siting			
Is the Project area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected Area			
• Wetland			
• Mangrove			
• Estuarine			
• Offshore (marine)			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
B. Potential Environmental Impacts			
Will the Project cause...			
encroachment on precious ecology resulting in loss or damage to terrestrial or aquatic habitats (e.g. wetlands or sensitive or protected areas) or species of conservation significance?			
encroachment on historical/cultural monuments or areas?			
dislocation or involuntary resettlement of people?			
disproportionate impacts on the poor, women and children, Indigenous Peoples or other vulnerable groups?			
risks and vulnerabilities related to occupational health and safety due to physical, chemical and biological hazards during project construction and operation?			
noise and vibration due to blasting and other civil works?			
an increase in local traffic during construction?			
decrease in value of land in the area due to noise, the degradation of environmental aesthetics or other nuisances?			
short-term ecological disturbances such as soil erosion, water quality deterioration (surface and groundwater), air pollution, noise and vibrations from construction equipment?			
alteration of surface water flows by towers, roads or other facilities, resulting in erosion and stream sedimentation?			
disturbance of sensitive marine ecosystems from the installation of offshore towers and submarine cables?			
a threat to bird or bat life from turbine and tower collision?			
noise disturbance during operation due to the proximity of settlements or other features?			

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

disruption of radar or telecommunications from electromagnetic interference?			
aviation or navigation hazard from turbines?			
hazards to traffic on major roads near the wind farm due to the location of turbines causing driver distraction?			
facilitation of access to protected areas by roads or the transmission line corridor?			
shadow flicker in nearby settlements or at other important local sites?			
large population influx during project construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
social conflicts if workers from other regions or countries are hired?			
risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel and other chemicals during construction and operation?			
community safety risks due to both accidental and natural hazards, especially where the structural elements or components of the project are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			

RAPID ENVIRONMENTAL ASSESSMENT CHECKLISTS (REAs)

3. Rapid Environmental Assessment (REA) Checklist – Solar Energy

Project Title:

Credit Unit / Branch:

	Yes	No	Remarks
A. Project Siting			
Is the Project area adjacent to or within any of the following environmentally sensitive areas?			
• Physical cultural heritage site			
• Located in or near to legally protected area			
• Located in or near to special habitats for biodiversity (modified or natural habitats)			
• Wetland			
• Mangrove			
• Estuarine			
• Offshore (marine)			
B. Potential Environmental Impacts			
Will the Project cause...			
large scale land disturbance and land use impacts specially due to diversion of productive lands?			
involuntary resettlement of people? (physical displacement and/or economic displacement)			
disproportionate impacts on the poor, women and children, Indigenous Peoples or other vulnerable groups?			
noise, vibration and dust from construction activities?			
an increase in local traffic during construction?			
environmental disturbances such as soil erosion, land contamination, water quality deterioration, air pollution, noise and vibrations during construction phase?			
aesthetic degradation and property value loss due to establishment of plant and ancillary facilities?			
changes in flow regimes of the water intake from surface water or underground wells due to abstraction for cooling purposes?			
pollution of water bodies and aquatic ecosystem from wastewater treatment plant, from cooling towers, and wash-water during operation?			
a threat to bird or bat life from colliding with the project facilities and/or being burned by concentrated solar rays?			
industrial liquid (dielectric fluids, cleaning agents, and solvents) and solid wastes (lubricating oils, compressor oils, and hydraulic fluids) generated during construction and operations likely to pollute land and water resources?			

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

Soil/water contamination due to use of hazardous materials or disposal of broken or damaged solar cells (photovoltaic technologies contain small amounts of cadmium, selenium and arsenic) during installation, operation and decommissioning?			
noise disturbance during operation due to the proximity of settlements or other features?			
visual impacts due to reflection from solar collector arrays resulting in glint or glare?			
large population influx during project construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
social conflicts between local laborers and those from outside the area?			
risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during construction, installation, operation, and decommission?			
risks to community health and safety due to the transport, storage, and use and/or disposal of materials and wastes such as explosives, fuel and other chemicals during construction, and operation?			
community safety risks due to both accidental and natural causes, especially where the structural elements or components of the project are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			

RAPID ENVIRONMENTAL ASSESSMENT CHECKLISTS (REAs)

4. Rapid Environmental Assessment (REA) Checklist – Hydropower

Project Title:

Credit Unit / Branch:

	Yes	No	Remarks
A. Project Location			
Are the Project facilities adjacent to or within any of the following areas?			
• Unregulated river			
• Unique or aesthetically valuable land or water form			
• Special area for protecting biodiversity			
• Protected Area			
• Buffer zone of protected area			
• Primary forest			
• Range of endangered or threatened animals			
• Area used by indigenous peoples			
• Cultural heritage site			
• Wetland			
• Mangrove			
• Estuarine			
B. Potential Environmental Impacts			
Will the Project cause...			
short-term construction impacts such as soil erosion, deterioration of water and air quality, noise and vibration from construction equipment?			
disturbance of large areas due to material quarrying?			
disposal of large quantities of construction spoils?			
clearing of large forested area for ancillary facilities and access road?			
impounding of a long river stretch?			
dryness (less than 50% of dry season mean flow) over a long downstream river stretch?			
construction of permanent access road near or through forests?			
creation of barriers for migratory land animals			
loss of precious ecological values due to flooding of agricultural/forest areas, and wild lands and wildlife habitat; destruction of fish spawning/breeding and nursery grounds?			
deterioration of downstream water quality due to anoxic water from the reservoir and sediments due to soil erosion?			
significant diversion of water from one basin to another?			
alternating dry and wet downstream conditions due to peaking operation of powerhouse?			
significant modification of annual flood cycle affecting downstream ecosystem, people’s sustenance and livelihoods?			
loss or destruction of unique or aesthetically valuable land or water forms?			

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

proliferation of aquatic weeds in reservoir and downstream impairing dam discharge, irrigation systems, navigation and fisheries, and increasing water loss through transpiration?			
scouring of riverbed below dam?			
downstream erosion of recipient river in trans-basin diversion?			
increased flooding risk of recipient river in trans-basin diversion?			
decreased groundwater recharge of downstream areas?			
draining of downstream wetlands and riparian areas?			
decline or change in fisheries below the dam due to reduced peak flows and floods, submersion of river stretches and resultant destruction of fish breeding and nursery grounds, and water quality changes?			
loss of migratory fish species due to barrier imposed by the dam?			
formation of sediment deposits at reservoir entrance, creating backwater effect and flooding and water logging upstream?			
significant disruption of river sediment transport downstream due to trapping in reservoir?			
environmental risk due to potential toxicity of sediments trapped behind the dams?			
increased saltwater intrusion in estuary and low lands due to reduced river flows?			
significant induced seismicity due to large reservoir size and potential environmental hazard from catastrophic failure of the dam?			
cumulative effects due to its role as part of a cascade of dams/ reservoirs?			
depletion of dissolved oxygen by large quantities of decaying plant material, fish mortality due to reduced dissolved oxygen content in water, algal blooms causing successive and temporary eutrophication, growth and proliferation of aquatic weeds?			
risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during project construction and operation?			
large population influx during project construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
creation of community slums following construction of the hydropower plant and its facilities?			
social conflicts if workers from other regions or countries are hired?			
uncontrolled human migration into the area, made possible by access roads and transmission lines?			
disproportionate impacts on the poor, women, children or other vulnerable groups?			
community health and safety risks due to the transport, storage, and use and/or disposal of materials likely to create physical, chemical and biological hazards?			
risks to community safety due to both accidental and natural hazards, especially where the structural elements or components of the project (e.g., dams) are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			

RAPID ENVIRONMENTAL ASSESSMENT CHECKLISTS (REAs)

5. Rapid Environmental Assessment (REA) Checklist – Agro-Industrial

Project Title:

Credit Unit / Branch:

	Yes	No	Remarks
A. Project Siting			
Is the Project area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected Area			
• Wetland			
• Mangrove			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
• Bay			
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?			
eventual degradation of water bodies due to discharge of wastes and other effluents from plant or facility complex?			
serious contamination of soil and groundwater?			
aggravation of solid waste problems in the area?			
public health risks from discharge of wastes and poor air quality; noise and foul odor from plant emissions?			
short-term construction impacts (e.g. soil erosion, deterioration of water and air quality, noise and vibration from construction equipment)?			
dislocation or involuntary resettlement of people?			
disproportionate impacts on the poor, women and children, Indigenous Peoples or other vulnerable groups?			
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?			
water pollution from discharge of liquid effluents?			
air pollution from all plant operations?			
gaseous and odor emissions to the atmosphere from processing operations?			
accidental release of potentially hazardous solvents, acidic and alkaline materials?			

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

uncontrolled in-migration with opening of roads to forest area and overloading of social infrastructure?			
occupational health hazards due to fugitive dust, materials handling, noise, or other process operations?			
disruption of transit patterns, creation of noise and congestion, and pedestrian hazards aggravated by heavy trucks?			
disease transmission from inadequate waste disposal?			
risks and vulnerabilities related to occupational health and safety due to physical, chemical, and biological hazards during project construction and operation?			
large population increase during project construction and operation that cause increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
social conflicts if workers from other regions or countries are hired?			
community health and safety risks due to the transport, storage, and use and/or disposal of materials likely to create physical, chemical and biological hazards during construction, operation and decommissioning?			

A basic guidance on Grievance Redress Mechanism (GRM)

A. What Is a Grievance Redress Mechanism?

GRMs are institutions, instruments, methods, and processes by which a resolution to a grievance is sought and provided. A number of mechanisms are available to aggrieved parties to access redress. They can be complex and diverse. They may include institutions specific (internal) to a project and set up from its inception or others that have emerged over time in response to needs identified while the project evolved. Other institutions may be already established within a country's judicial, administrative, and/or political systems and exist outside a project. They include the government bureaucracy; judicial institutions; and political institutions such as Parliament, Parliamentary Select Committees and Provincial Councils. In addition, if a project is funded through external sources, the aid agency itself sometimes provides a forum for grievance redress. GRMs can include avenues for resolving conflicts between APs or other stakeholders, and can provide information sought by the public on the project.

External GRMs available to APs in Sri Lanka include the national legal system (District Magistrate Courts, Supreme Court), the Public Administrative System [Divisional Secretariats, Grama Niladharis, CEA, people's representatives, the Parliament of Sri Lanka through its Public Petitions Committee, Pradeshiya Sabhas, and civil society organizations. The Government of Sri Lanka has established mediation boards (Samatha Mandala) "to bring the disputants to an amicable settlement and to remove, with their consent and whenever practicable, the real cause of grievance between them, so as to prevent a recurrence of the dispute, or offence" Mediation boards are set up in every Divisional Secretariat and disputes relating to moveable and immoveable property, contracts, use of criminal force, grievous harm, intimidation, criminal trespass, defamation, and breach of peace between private parties can be mediated. In 2003, the Government also established special mediation boards to provide for resolution of disputes related to social and economic issues. The Minister of Justice determines the category of such disputes. While the mediation boards deal only with disputes between private parties, the special mediation boards allow for the State or a public officer to be a disputant party.

International Aid Agencies also provide grievance redress through different mechanisms.

B. Why Does a Project Need a Grievance Redress Mechanism?

A GRM provides a predictable, transparent, and credible process to all parties, resulting in outcomes that are seen as fair, effective, and lasting.

A well-functioning GRM can provide benefits to both the project and the AP.

Benefits to Projects

- Provides information about project implementation.
- Provides an avenue to comply with government policies.
- Provides a forum for resolving grievances and disputes at the lowest level.
- Resolves disputes relatively quickly before they escalate to an unmanageable level.
- Facilitates effective communication between the project and affected persons.
- Helps win the trust and confidence of community members in the project and creates productive relationships between the parties.
- Ensures equitable and fair distribution of benefits, costs, and risks.
- Mitigates or prevents adverse impacts of the project on communities and produces appropriate corrective or preventive action.
- Helps avoid project delays and cost increases, and improves quality of work

Benefits to Affected Personss and Other Stakeholders

- Provides a cost-effective method to report their grievances and complaints.
- Establishes a forum and a structure to report their grievances with dignity, and access to a fair hearing and remedy.
- Provides access to negotiate and influence decisions and policies of the project that might adversely affect them.
- Facilitates access to information.

In the absence of a project-specific GRM, APs will seek solutions to their grievances through GRMs that exist outside the project, such as the country's judicial system, public administration, or the agencies that funded the project. Engagement of such external GRMs could lead to a number of adverse consequences for both the APs and the project implementers, for example:

- It would probably absorb a relatively longer time and substantial resources, which are generally unaffordable to many APs. People need relatively quick solutions or relief for their problems, particularly when projects are likely to cause property loss and displacement.
- Not all APs have equal access and the capacity to approach external GRMs. Thus, they would be deprived of their rights to be heard and to find a fair and just solution. This could further push the APs into a state of high vulnerability, insecurity, and impoverishment.
- Depriving APs access to GRMs could induce them to develop hostility toward the project and sometimes to engage in violent behavior that might hamper the smooth implementation of the project and its related activities, and delay its overall accomplishments.
- Delays in project implementation will increase government expenditures such as compensation to contractors for loss of work, and staff maintenance. Delay can also affect the reputation of the national government. C.

C. Policy Requirements for Establishing a Grievance Redress Mechanism

The legitimacy, authority, and powers of a GRM could come from a Cabinet Memorandum, a Gazette Notification by the relevant Minister, or a circular issued by the Secretary of the relevant Ministry.

It is also important that a GRM be established early in the project cycle. Problems can be resolved easily, cost effectively, and efficiently if they are addressed before they grow into unmanageable levels. Provisions for setting up GRMs in projects involving involuntary resettlement are explicitly spelled out in a number of policy documents.

Policies that Require Grievance Mechanisms

National Involuntary Resettlement Policy for Sri Lanka, approved by the Cabinet of Ministers on 24 May 2001

“Make all affected persons aware of processes available for the redress of grievances that are easily accessible and immediately responsive.”

Asian Development Bank. Safeguard Policy Statement. Safeguard Requirement 2: Involuntary Resettlement. pages 49–50, June 2009

“The borrower/client will establish a mechanism to receive and facilitate the resolution of affected persons’ concerns and grievances about physical and economic displacement and other project impacts, paying particular attention to the impacts on vulnerable groups. The grievance redress mechanism should be scaled to the risks and adverse impacts of the project. It should address affected persons’ concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to the affected persons at no cost and without retribution. The mechanism should not impede access to the country’s judicial and administrative remedies. The borrower/client will inform affected persons about the mechanism.”

The GRMs established within a project are not isolated entities. Nor can they function independently. They should be closely linked to other project components such as the project’s policies and plans, rules and procedures, institutional structures, and networks, and to the numerous actors who perform different roles within those institutional arrangements. The sustainability of GRMs will obviously depend on the reinforcement that they receive from these other project components. GRMs should never be viewed as "stumbling blocks" for a project’s operations. Instead, they can perform a useful role in removing barriers and facilitating the smooth implementation of a project. They can also function as good feedback mechanisms to different institutional structures and help in framing policies, decisions, and practices that are more responsive to realities on the ground. Therefore, it is important that different project components encompass grievance redress elements in their portfolios and extend their support for the effective and efficient functioning of the GRMs.

APs should be able to use a variety of channels to access GRMs. It is important to identify and make provisions for different means of entry into the grievance redress process, as it helps to increase the access of APs to the GRMs. The channels of presenting complaints could include presentation of complaints via third parties (e.g., village elites, community-based organizations, lawyers, nongovernment organizations [NGOs], etc.); face-to-face meetings; facsimile, telephone, and email communications; written complaints; etc.

Characteristics of a Good Grievance Redress Mechanism

- Is known to the public and APs
- Has a systematic way of recording and monitoring the progress or resolution of issues
- Is accessible to all APs irrespective of their economic status, literacy level, ethnicity, caste, religion, gender, disabilities, geographical location, etc.
- Includes participation, representation, and consultation of APs in its design, planning, and operational processes
- Provides security (both physical and psychological) for APs to participate without fear of intimidation or retribution
- Has respect for the dignity and self-esteem of APs and an empathetic relationship towards APs
- Provides equitable access for APs to information, advice, and expertise
- Has different levels to allow for appeals
- Has a reasonable time frame that prevents grievances from dragging on unresolved
- Evidences social and cultural appropriateness of the systems, approaches, and methods adopted
- Possesses values, attitudes, and commitment to fairness and justice
- Shows transparency, accountability, and objectivity in conducting grievance redress processes and realizing their outcomes
- Is independent and has a clear governance structure with no external interference with the conduct of grievance redress processes and reaching agreements
- Shows clarity in procedures, processes, and time frames adopted
- Has flexibility in decision-making processes, taking into account the unique and diverse character of grievances
- Is in compliance with existing systems without undermining them
- Is run by professionally and technically competent grievance redress mechanism implementers who have been able to win trust and recognition from the communities
- Shows respect for the freedom of APs to opt for alternative grievance redress mechanisms if they so decide

A GRM should be located as close to the people as possible to be accessible, familiar, and comfortable to the APs including vulnerable groups.

D. Grievance Prevention

Grievances cannot be avoided entirely, but much can be done to reduce them to manageable numbers and reduce their impacts. Implementers should be aware and accept that grievances do occur, that dealing with them is part of the work, and that they should be considered in a work plan. Implementers should do the following:

- Provide sufficient and timely information to communities. Many grievances arise because of misunderstandings; lack of information; or delayed, inconsistent, or insufficient information. Accurate and adequate information about a project and its activities, plus an approximate implementation schedule, should be communicated to the communities, especially APs, regularly. Appropriate communication channels and means of communication should be used. "In line with ADB's Public Communications Policy, ADB is committed to working with the borrower to ensure that relevant information (whether positive or negative) about social and environmental safeguard issues is made available in a timely manner, in an accessible place, and in a form and language(s) understandable to affected people"
- Conduct meaningful community consultations. Project implementers should continue the process of consultation and dialogue throughout the implementation of a project. Sharing information, reporting on project progress, providing community members with an opportunity to express their concerns, clarifying and responding to their issues, eliciting communities' views, and receiving feedback on interventions will benefit the communities and the project management.
- Build capacity for project staff, particularly community facilitators and other field-level staff. The community-level facilitators and field-level staff of the implementing agencies should be provided with adequate information on the project such as project design, activities, implementing schedules, and institutional arrangements as well as enhanced skills in effective communication, understanding community dynamics and processes, negotiation and conflict resolution, and empathizing with communities and their needs. Building trust and maintaining good rapport with the communities by providing relevant information on the project and responding effectively to the needs and concerns of the community members will help solve issues before they even become grievances. It is also important that community facilitators and field-level staff provide regular feedback on their interactions with the communities to the higher levels of the implementing agencies.

Overall, good management of a project will also contribute to minimizing complaints.

PUBLIC CONSULTATION AND DISCLOSURE

The following tasks and guidance will help achieve the objectives of Public Consultation and Disclosure. A social specialist could be useful in assisting the project sponsor when preparing the plan.

TASK: Prepare a consultation and disclosure plan

A Public Consultation and Disclosure Plan (PCDP) should cover:

- The country's regulations and requirements for public consultation
- Evaluation criteria or indicators for assessing the effectiveness of the consultation plan
- A review of previous consultation undertaken in relation to the project
- An inventory of the key stakeholders who will be informed and consulted
- A program and schedule for the disclosure of project information and public consultation at various stages in the EA process and during project construction and operation. The program should include:
 - ◆ A summary of the types of methods to be used
 - ◆ An outline noting the time schedule and/or agenda
 - ◆ A schedule of consultation activities and a plan for integrating them into other project activities and stages
 - ◆ An estimated budget for carrying out consultation activities, such as hiring consultants, organizing meetings, providing transportation subsidies for poor and vulnerable groups to attend the public meetings, etc, and associated expenditures, such as translation, production, and distribution of materials
 - ◆ Staff and management resources to be allocated to the tasks

TASK: Gather basic information.

Some basic research will need to be undertaken before a public consultation plan can be prepared. The research should cover:

- An initial identification of the people likely to be affected by the project and other relevant stakeholders
- A review of local regulatory requirements for public consultation and disclosure of project documents
- A review of information derived from the Social Assessment (SA), if undertaken, including local power dynamics, the extent of social cohesion, and the ability of groups to discuss their concerns openly with outsiders
- The numbers of people living on or using the land on and around the project site
- Common types of economic livelihood of the local population (agriculture, wage labor, etc)
- Local levels of literacy, cultural diversity and vulnerability
- Traditional or customary means of consultation and decision-making, e.g., preparing basic questions, such as, what is the local status of women?

TASK: Define the consultation team.

The public consultation plan should set out the management arrangements that the project sponsor has developed for delivering effective public consultation. This should include which staff and management resources are to be responsible to the various public consultation and information disclosure programs, and who within the company carry out these activities. The project sponsor should consider delegating specific responsibilities for public consultation to senior and line managers, hiring social specialists, and establishing a position within the Company for a Community Liaison Officer.

TASK: Plan how to coordinate different consultation activities.

The project sponsor should plan to coordinate all of the consultation carried out by its different representatives over the life of the project. By providing information in a consistent way, the project sponsor may reduce the confusion affected people may have over project activities. Continuity within the process of consultation can also help the project sponsor develop a relationship with affected groups.

TASK: Select appropriate methods.

Strategic planning for consultation should include recognizing diversity among stakeholder groups and understanding their specific characteristics, e.g., levels of education, the use of local dialects, etc. There are often differences of power and knowledge between stronger and more established groups and weaker, less organized groups. It is important for the project sponsor to select methods of consultation appropriate to specific stakeholder groups.

TASK: Update the public consultation and disclosure plan.

Update the initial plan based on the outcome of initial public consultations. The updated plan should guide public consultation and disclosure during formulation of the project's Environmental Action Plan (EAP), and disclosure of the draft EA report. Revise the plan again upon finalizing the EA report. The revised plan should serve as a guide for ongoing public consultation during project construction and operation.

CEA recommended format of an EIA report

EIAs should be prepared using a format that will encourage good analysis and clear presentation of the alternatives, including the proposed action. Following is the standard format for EIAs that should generally be followed, unless the agency determines that there is a compelling reason to do otherwise.

- Executive Summary
- Proposed Action's Purpose, Need and Legal Requirements
 - Purpose of the EIA, EIA preparation process, legal actions required by the government to approve action
- Proposed Action and Reasonable Alternatives
 - Description of proposed action and description of alternatives to the activity, together with the reasons why such alternatives were rejected
- Affected Environment
- Environmental Consequences of Proposed Action
 - Direct, indirect and cumulative impacts, irreversible and irretrievable commitments of resources, together with an analysis on the significance of impacts
- Mitigatory Measures
 - Means to mitigate adverse environmental impacts
- Extended Benefit Cost Analysis
- Proposed Monitoring Plan
 - Including institutional responsibilities and procedures for reporting and analysis
- Appendices
 - List of EIA preparers, references, backup data and analyses

PROJECTS COMING UNDER CATEGORY A

Projects requiring an EIA as per the list of 'Prescribed Projects' - Gazette No. 772/22 of 24 June 1993 (amended by Gazette Extra Ordinary No. 1104/22 of 5 November 1999)

PART I - PROJECTS AND UNDERTAKINGS IF LOCATED WHOLLY OR PARTLY OUTSIDE THE COASTAL ZONE AS DEFINED BY COAST CONSERVATION ACT. NO 57 OF 1981

1. **All river basin development and irrigation projects excluding minor irrigation works (as defined by Irrigation Ordinance chapter 453).**
2. **Reclamation of Land, wetland area exceeding 4 hectares.**
3. **Extraction of timber covering land area exceeding 5 hectares**
4. **Conversion of forests covering an area exceeding 1 hectare into non-forest uses.**
5. **Clearing of land areas exceeding 50 hectares.**
6. **Mining and Mineral Extraction**
 - ❖ Inland deep mining and mineral extraction involving a depth exceeding 25 meters
 - ❖ Inland surface mining of cumulative areas exceeding 10 hectares
 - ❖ All off shore mining and mineral extractions
 - ❖ Mechanized mining and quarrying operations of aggregate, marble, limestone, silica, quartz, and decorative stone within 1 kilometer of any residential or commercial areas.
7. **Transportation Systems**
 - ❖ Construction of national and provincial highways involving a length exceeding 10 kilometers
 - ❖ Construction of railway lines
 - ❖ Construction of airports
 - ❖ Construction of airstrips
 - ❖ Expansion of airports or airstrips that increase capacity by 50 percent or more.
8. **Port and Harbour Development**
 - ❖ Construction of ports
 - ❖ Construction of harbours
 - ❖ Port expansion involving an annual increase of 50% or more in handling capacity per annum.

9. Power Generation and Transmission

- ❖ Construction of hydroelectric power stations exceeding 50 Megawatts.
- ❖ Construction of thermal power plants having generation capacity exceeding 25 Megawatts at a single location or capacity addition exceeding 25 Megawatts to existing plants.
- ❖ Construction of nuclear power plants.
- ❖ All renewable energy based electricity generating stations exceeding 50 Megawatts.

10. Transmission Lines

- ❖ Installation of overhead transmission lines of length exceeding 10 kilometers and voltage above 50 Kilovolts.

11. Housing and Building

- ❖ Integrated multi-development activities consisting of housing, industry, commercial infrastructure covering a land area exceeding 10 hectares.

12. Resettlement

- ❖ Involuntary resettlement exceeding 100 families other than resettlement effected under emergency situations.

13. Water Supply

- ❖ All ground water extraction projects of capacity exceeding ½ million cubic meters per day
- ❖ Construction of water treatment plants of capacity exceeding ½ million cubic meters

14. Pipelines

- ❖ Laying of gas and liquid (excluding water) transfer pipelines of length exceeding 1 kilometer

15. Hotels

- ❖ Construction of Hotels or holiday resorts or projects which provide recreational facilities exceeding 99 rooms or 40 Hectares, as the case may be.

16. Fisheries

- ❖ Aquaculture development projects of extent exceeding 4 hectares
- ❖ Construction of fisheries harbours
- ❖ Fisheries harbour expansion projects involving an increase of 50% or more in fish handling capacity per annum.

17. All Tunneling Projects

18. Disposal of Waste

- ❖ Construction of any solid waste disposal facility having a capacity exceeding 100 tons per day.
- ❖ Construction of waste treatment plants treating toxic or hazardous waste.

19. Development of all Industrial Estates and Parks exceeding an area of 10 hectares.

20. Iron and Steel Industries

- ❖ Manufacture of iron and steel products of production capacity exceeding 100 tons per day using iron ore as raw material
- ❖ Manufacture of iron and steel products of production capacity exceeding 100 tons per day using scrap iron as raw material

21. Non-Ferrous Basic Metal Industries

- ❖ Smelting of aluminium or copper or lead of production capacity exceeding 25 tons per day.

22. Basic Industrial Chemicals

- ❖ Formulation of toxic chemicals of production capacity exceeding 50 tons per day.
- ❖ Manufacture of toxic chemicals of production capacity exceeding 25 tons per day.

23. Pesticides and Fertilizers

- ❖ Formulation of pesticides of combined production capacity exceeding 50 tons per day.
- ❖ Manufacture of pesticides of combined production capacity exceeding 25 tons per day.

24. Petroleum and Petrochemicals

- ❖ Petroleum refineries producing gasoline, fuel oils, illuminating oils, lubricating oils and grease, aviation and marine fuel and liquefied petroleum gas from crude petroleum.
- ❖ Manufacture of petro-chemicals of combined production capacity exceeding 100 tons per day from raw materials obtained from production processes of oil refinery or natural gas separation.

25. Tyre and Tube Industries

- ❖ Manufacture of tyre and tubes of combined production capacity exceeding 100 tons per day from natural or synthetic rubber.

26. Sugar Factories

- ❖ Manufacture of refined sugar of combined production capacity exceeding 50 tons per day.

27. Cement and Lime

- ❖ Manufactures of Cement through production of Clinker.
- ❖ Manufacture of lime employing kiln capacity exceeding 50 tons per day.

28. Paper & Pulp

- ❖ Manufacture of paper or pulp of combined production capacity exceeding 50 tons per day

29. Spinning, Weaving and Finishing of Textiles

- ❖ Integrated cotton or synthetic textile mills employing spinning, weaving, dyeing and printing operations together, of combined production capacity exceeding 50 tons per day.

30. Tanneries and Leather Finishing

- ❖ Chrome tanneries of combined production capacity exceeding 25 tons per day.
- ❖ Vegetable (bark) of combined production capacity exceeding 50 tons per day.

Provided however, where the projects and undertaking set out in items 20 to 30 are located within Industrial Estates and Parks as described at (19) above, the approval shall not be necessary under the provisions of Part IV C of the Act.

31. Industries which involve the manufacture, storage or use of Radio Active Materials as defined in the Atomic Energy Authority Act No. 19 of 1969 or Explosives as defined in the Explosives Act, No. 21 of 1956, excluding for national security reasons.

PART II

32. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or partly within the areas specified in Part III of the Schedule.

32(a) Construction of all commercial buildings as defined by the Urban Development Authority Law, No. 41 of 1978 and the construction of dwelling housing units, irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or partly within the areas specified in Part III of this Schedule”;

Following industries if located wholly or partly within the areas specified in part III of the Schedule:

33. Iron and Steel.

34. Non-Ferrous Basic Metal.

35. Basic Industrial Chemicals.

36. Pesticides and Fertilizer.

37. Synthetic Resins, Plastic materials and Man-made Fibres

38. Other Chemical Products.

39. Petroleum and Petro-chemical products.

40. Tyres and Tubes.

41. Manufacturing and Refining of Sugar.

42. Alcoholic Spirits.

- 43. Malt Liquors and Malt.
- 44. Cement, clinker and lime.
- 45. Non-metallic Mineral Products.
- 46. Paper, Pulp and Paperboard.
- 47. Spinning, Weaving and Finishing of Textiles.
- 48. Tanneries and Leather Finishing.
- 49. Shipbuilding and Repairs.
- 50. Railroad Equipment.
- 51. Motor Vehicles.
- 52. Air Craft.

PART III

1. Within 100 m from the boundaries of or within any area declared under –
 - ❖ the National Heritage Wilderness Act No. 3 of 1988,
 - ❖ the Forest Ordinance (Chapter 451).

whether or not such areas are wholly or partly within the Coastal Zone as defined in the Coast Conservation Act, No. 57 of 1981.
2. Within the following areas whether or not the areas are wholly or partly within the Coastal Zone:
 - ❖ any erodible area declared under the Soil Conservation Act (Chapter 450).
 - ❖ any Flood Area declared under the Flood Protection Ordinance (Chapter 449) and any flood protection area declared under the Sri Lanka Land Reclamation and Development Corporation Act, No.15 of 1968 as amended by Act, No. 52 of 1982.
 - ❖ 60 meters from the bank of a public stream as defined in the Crown Lands Ordinance (Chapter 454) and having a width of more than 25 meters at any point of its course.
 - ❖ any reservation beyond the full supply level of a reservoir.
 - ❖ any archaeological reserve, ancient or protected monument as defined or declared under the Antiquities Ordinance (Chapter 188).
 - ❖ any area declared under the Botanic Gardens Ordinance (Chapter 446).

**List of projects under Parts A, B and C in Gazette No. 1533/16 of 25/1/2008
for the Environmental Protection License (EPL)**

PROJECTS UNDER PART A IN THE GAZETTE FOR THE EPL – ‘CATEGORY B1 PROJECTS’

1. Chemicals manufacturing or formulating or repacking industries.
2. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity of 1,000 kilograms per day or more.
3. Bulk petroleum liquid or liquefied petroleum gas storage or filling facilities having a total capacity of 150 or more metric tons excluding vehicle fuel filling stations.
4. Industries involved in the use of fibreglass as a raw material where 10 or more workers are employed.
5. Synthetic rubber, natural rubber manufacturing or processing or rubber based industries excluding industries which manufacture less than 100 kilograms of ribbed smoke rubber sheets per day.
6. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity one or more metric ton per batch.
7. Industries involved in manufacturing extracting or formulating Ayurvedic, Indigenous medicinal products where 25 or more workers are employed.
8. Chemical fertilizer manufacturing, formulating, processing or repacking Industries.
9. Pesticides, insecticides, fungicides and herbicides manufacturing, formulating or repacking industries.
10. Oil (mineral oil or petroleum) refineries.
11. Dye and dye intermediate manufacturing or formulating industries.
12. Paints (emulsion or enamel), inks, pigments, varnish, polish manufacturing or formulating industries.
13. Petrochemical (basic or intermediates) manufacturing or formulating industries.
14. Industrial gas manufacturing, processing or refilling industries.

15. Asphalt processing plants.
16. Industries involved in the manufacture of polymers or polymer based products (i.e. polyethylene, polyvinyl chloride (PVC), polyurethane, polypropylene, polyester, nylon, polystyrene, resins, fibreglass or other man made fibres etc.) or polymer or polymer based products, recycling industries.
17. All types of tyres, tubes manufacturing or tyre retreading industries.
18. Industries involved in manufacturing or reconditioning of batteries.
19. Any industry involved in the use of asbestos fibres as a raw material.
20. Industries involved in manufacturing, extracting or formulating pharmaceuticals or cosmetic products including intermediates.
21. Adhesives manufacturing industries excluding natural gums.
22. Match sticks manufacturing industries and explosives manufacturing or formulating industries.
23. Batik industries where 10 or more workers are employed.
24. Textile processing (i.e. bleaching, dyeing, printing) industries or garment washing industries or textile sand blasting industries or commercial laundries where 10 or more workers are employed.
25. Tanneries.
26. Lather finishing industries having effluent generating operations.
27. Jute processing industries.
28. Industries involved in bleaching or dyeing of natural fibre or natural fibre based industries where 25 or more workers are employed.
29. Power looms having 25 or more machines or power looms with sizing activities.
30. Sugar manufacturing industries or sugar refineries.
31. Fermentation industries (Distilleries, Breweries) or alcoholic beverages bottling plants or bottling plants having bottle washing operations.
32. Food manufacturing and processing industries including bakery products and confectioneries where 25 or more workers are employed.

33. Abattoirs.
34. Coconut oil or cinnamon oil extraction industries where 25 or more workers are employed.
35. Plants or animal oil/fats extraction industries having production capacity of 10 litres or more per day excluding coconut oil and cinnamon oil extraction industries.
36. Instant tea or coffee processing industries.
37. Non-alcoholic beverages manufacturing industries where 25 or more workers are employed.
38. Desiccated coconut mills or coconut processing industries where 10 or more workers are employed.
39. Rice mills having wet process and having a production capacity of 5,000 kilograms or more per day.
40. All hatcheries or poultry farms having 2,500 or more birds or piggery, cattle, goats farms having animals 50 or more or having rating* for mixed farming 2,500 or more.
*Rating for Mixed Farming = No. of Birds + 50 x (No. of Pigs + No. of Cattle + No. of Goats)
41. Animal feed manufacturing industries having a capacity of 25 or more metric tons per day.
42. Cigarettes or other tobacco products manufacturing industries where 50 or more workers are employed.
43. Industries involved in surface treatment of metal or plastic including electroplating, galvanizing and powder coating industries.
44. Iron and steel mills.
45. Foundries with any type of furnaces.
46. Non-ferrous metal processing industries including secondary process, smelting and recovery of metals.
47. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where 24 or more workers are employed. (Including lathe workshops, welding shops, spray painting industries).
48. Cement industries (clinker grinding, manufacturing or repacking).
49. Concrete batching plants having a production capacity of 50 or more cubic meters per day.
50. Glass or glass based product manufacturing industries.

51. Lime kilns having a production capacity of 20 or more metric tons per day.
52. Ceramic industries where more than 25 or more workers are employed.
53. Mechanized mining activities with multi bore hole blasting or single bore hole blasting activities with production capacity having 600 or more cubic meters per month.
54. Crushing or processing of non-metallic minerals (i.e. limestone, dolomite, apatite, rock phosphate, sand stone, feldspar, quartz, ilmenite, rutile, zircon, mica, graphite, kaolin, etc) excluding lime shell and granite crushing activities.
55. Granite boulders making or processing industries (extracting, blasting, slicing, polishing).
56. Granite crushing (Metal crushing) industries having a total production capacity of 25 or more cubic meters per day.
57. Common wastewater (industrial or sewage) treatment plants.
58. Incinerators having a feeding capacity of 5 or more metric tons per day.
59. Water treatment plants having a treatment capacity of 10,000 or more cubic meters per day.
60. Municipal solid waste and other solid waste composting plants having a capacity of 10 or more metric tons per day.
61. Solid waste recovery/recycling or processing plants having a capacity of 10 or more metric tons per day.
62. Solid waste disposal facility having a disposal capacity of 10 or more metric tons per day.
63. All toxic and hazardous waste treatment facility or disposal facilities or recycling/recovering or storage facilities.
64. Industries involved in chemical treatment and preservation of wood excluding Boron treatment.
65. Saw mills having a milling capacity of 50 or more cubic meters per day or wood based industries where 25 or more workers are employed.
66. Hotels, guest houses, rest houses having 20 or more rooms.
67. Hostels and similar dwelling places where occupancy level is exceeding 200 or more.
68. Health care service centres generating infectious wastes, including medical laboratories and research centres.

69. Automobile or bicycle manufacturing or assembling industries.
70. Vehicles service stations or container yards having vehicle service activities excluding three wheeler and motor cycles services and interior cleaning.
71. Railway workshops or all bus depots having vehicle servicing activities.
72. All vehicle emission testing centres.
73. Electrical power generating utilities excluding standby generators and hydro or solar or wind power generation.
74. Printing presses with lead smelting or newspaper printing or printing process which generates wastewater or color photographs processing centres.
75. Paper and Pulp Industries or corrugated cartons manufacturing industries.
76. Any industry where 200 or more workers per shift are employed.
77. Industrial Estates approved under the part IVC of the National environmental Act including Katunayake and Biyagama Export processing Zones.
78. Zoological gardens.
79. Transmission towers providing facilities for telecommunication and broadcasting.
80. Any industry not included above which discharges 10 or more cubic meters of wastewater per day or using toxic chemicals in its process.

PROJECTS UNDER PART B IN THE GAZETTE FOR THE EPL - 'CATEGORY B2 PROJECTS'

1. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity less than 1,000 kilograms per day.
2. Bulk petroleum liquid storage facilities excluding filling stations or liquefied petroleum gas (LP Gas) storage or filling facilities having a total capacity less than 150 metric tons.
3. Industries involved in the use of fibre glass as a raw material where less than 10 workers are employed.
4. Ribbed smoke rubber sheet manufacturing industries having a production capacity of more than 50 kilograms and less than 100 kilograms per day.
5. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity less than one metric ton per batch.

6. Industries involved in manufacturing, extracting or formulating Ayurvedic, indigenous medicinal products where more than 10 workers and less than 25 workers are employed.
7. Batik industries where less than 10 workers are employed.
8. Commercial laundries where less than 10 workers are employed.
9. Leather finishing industries having dry process operations.
10. Natural fibre based industries where less than 25 workers are employed excluding industries involved in bleaching or dyeing of natural fibre.
11. Power looms having less than 25 machines.
12. Hand Looms or knitting or embroidery industry having more than 10 looms.
13. Garment industries where 25 or more workers and less than 200 workers per shift are employed.
14. Sugar cane based industries excluding sugar factories of sugar refineries.
15. Food manufacturing and processing industries including bakery products and confectioneries where 5 or more workers and less than 25 workers are employed.
16. Cinnamon oil extracting industry where less than 25 workers are employed.
17. Rice mills having wet process with a production capacity of less than 5,000 kilograms per day.
18. Grinding mills having production capacity of more than 1,000 kilograms per month.
19. Poultry farms have 250 or more and less than 2,500 birds or piggery, cattle, goats farms having animals 5 or more and less than 50 or having rating * for mixed farming 250 and less than 2,500.
* Rating for Mixed Farming = No. of Birds + 50 x (No. of Pigs + No. of Cattle + No. Goats)
20. Animals feed manufacturing industries, having a capacity of less than 25 metric tons per day.
21. All ice manufacturing industries.
22. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where less than 25 workers are employed. (including lathe workshop, welding shops, spray painting industries).

23. Concrete batching plants having a capacity less than 50 cubic meters per day.
24. Single borehole blasting with industrial mining activities using explosives, having a production capacity of less than 600 cubic meters per month.
25. Granite crushing (Metal crushing) industries having a total production capacity of less than 25 cubic meters per day excluding manual crushing operations using hand tools.
26. Municipal solid waste and other solid waste composting plants (excluding household composting) having a capacity of less than 10 metric tons per day.
27. Solid waste recovery/recycling or processing plants having a capacity of less than 10 metric tons per day.
28. Solid waste disposal facilities a disposal capacity of less than 10 metric tons per day.
29. Hostels and similar dwelling places where occupancy level or 25 or more boarders and less than 200 borders.
30. Vehicle repairing and maintaining garages including spray painting or mobile air-conditioning activities.
31. Recycling or recovering centres of refrigerants form air-conditioners or refrigerators.
32. Three wheeler or motor cycle servicing activities or vehicle interior cleaning activities.
33. Any industry not included above which discharges 3 or more and less than 10 cubic meters of industrial processing wastewater per day.

PROJECTS UNDER PART C IN THE GAZETTE FOR THE EPL - CATEGORY C PROJECTS'

1. All vehicle filling stations (liquid petroleum and liquefied petroleum gas).
2. Manufacturing of candles where 10 or more workers are employed.
3. Coconut oil extraction industries where 10 or more workers and less than 25 workers are employed.
4. Non-alcoholic beverages manufacturing industries where 10 or more workers and less than 25 workers are employed.
5. Rice mills having dry process operations.

6. Grinding mills having production capacity of less than 1,000 kilograms per month.
7. Tobacco barns*
8. Cinnamon fumigating industries with sulphur fumigation having capacity of 500 or more kilograms per batch.
9. Edible salt packing and processing industries.
10. Tea factories excluding instant tea processing.
11. Concrete pre-cast industries.
12. Mechanized cement blocks manufacturing industries.
13. Lime kilns having a production capacity of less than 20 metric tons per day*
14. Plaster of Paris industries where less than 25 workers are employed.
15. Lime shell crushing industries.
16. Tile and brick kilns*
17. Single borehole blasting with artisanary mining activities using explosives, having capacity of less than 600 cubic meters per month.
18. Saw mills having a milling capacity of less than 50 cubic meters per day or industries involved in Boron treatment of wood or timber seasoning.
19. Carpentry workshops which use multipurpose carpentry machine or wood based industries where more than 5 workers and less than 25 workers are employed.
20. Residential hotels, guest houses, rest houses with 05 or more and less than 20 rooms.
21. Vehicle repairing or maintaining garages excluding spray-painting or mobile air-conditioning activities.
22. Repairing, maintaining or installation centres of refrigerators and air-conditioners.
23. Container yards excluding where vehicle servicing activities are carried out.
24. All electrical and electronic goods repairing centre where more than 10 workers are employed.
25. Printing presses and later press machines excluding lead smelting.

* A special clearance to be obtained internally prior to project appraisal.

DETAILS OF APPROVALS NEEDED FOR DIFFERENT TYPES OF PROJECTS

Environmental Recommendation / Site Clearance

Assessing site suitability is one of the most important procedures adopted by the CEA for non-prescribed activities under the EIA regulations. All proposed industrial activities which are going to be sited outside the industrial estates approved under part IV C of the National Environmental Act those which are provided with proper environmental infrastructure facilities such as common waste water treatment systems etc. are required to adopt and manage with environmentally sound pollution control measures before the operational stage.

Therefore all potential industrial sites or the establishment of new industrial activities which are not subject to EIA , particularly the small and Medium scale industries (SMIS) are advised to obtain environmental recommendation from the CEA for the proposed sites.

In considering the suitability, proposed sites are evaluated in terms of its compatibility with respect to the zoning plans of relevant Local Authorities surrounding land use, land availability for buffer zones and the capacity of the area to receive additional pollution load and waste disposal requirements. The main objective of the environmental recommendation procedure is to take adequate mitigate measures in advance to abate or minimize the anticipated environment pollution arising from a proposed industrial activity.

EPL is granted to industries which conform to standards stipulated by the CEA to mitigate pollution from existing industries i.e., which discharge, deposit their effluents/wastes to the environment or emit noise or gases to the environment. But there are instances where some industrialists find difficulty to comply with the standards as they have located their industries in a haphazard manner without incorporating the mitigate measures at the beginning.

In order to overcome this problem and control the possible pollution at the initial stage the Environmental Recommendation is granted by the CEA. This is beneficiary to both the CEA as well as the industrialists in various aspects. The CEA gets benefit by controlling the possible pollution at the initial stage and the industrialists gets the same if they adhere to the conditions stipulated in the Environmental Recommendation.

Procedure to obtain Environmental Recommendation

1. Obtaining an application from the CEA Head Office and CEA Provincial/District Offices
2. Submission of the duly filled application form to the CEA with relevant documents needed. (survey plan of the site, building plan if any, route sketch of the proposed site from the nearest town)
3. If the application form is duly filled and relevant documents submitted, a written request will be made to the applicant to pay the inspection fee. At present Minimum amount is Rs:3360/- and Maximum amount is Rs: 11200/- (with Government approved tax)
4. After the payment of the Inspection fee ,a field inspection will be carried out by a team of officers of the CEA

If the site could be recommended, issue of the Environmental Recommendation to the Municipal Commissioner /Chairman of the relevant Local Authority with conditions to mitigate the possible environmental pollution. A copy of the ER will be sent to the applicant and to any other organizations/firms if related.

Environmental Protection License (EPL)

The Environmental Protection License (EPL) is a regulatory/legal tool under the provisions of the National Environmental Act No: 47 of 1980 amended by Acts No 56 of 1988 and No 53 of 2000. Industries and activities which required an EPL are listed in Gazette Notification No 1533/16 dated 25.01.2008. Industries are classified under 3 lists i.e., List "A","B" and "C" depending on their pollution potential.

Part "A" comprises of 80 significantly high polluting industrial activities and Part "B" comprises of 33 numbers of medium level polluting activities. EPL for industries in lists "A" and "B" have to be obtained from the relevant Provincial Offices or District Offices of the CEA.

Part "C" comprises of 25 low polluting industrial activities which have been delegated to Local Government Authorities, namely Municipal Councils, Urban Councils and Pradeshiya Sabhas. EPL for the industries in List "C" has to be obtained from the respective Local Authorities. The Local Authorities carry out issuing of EPLs and related functions such as follow up, monitoring and law enforcement.

Objectives of the Environmental Protection License (EPL)

- To prevent or minimize the release of discharges and emissions into the environment from prescribed (industrial) activities in compliance with national discharge and emission standards.
- To develop an approach to pollution control that considers discharges from prescribed (industrial) processes to all media (air, water, land) in the context of the effect on the environment.
- To contain the burden on industry, in particular by providing guidance on pollution control for polluting processes.
- To ensure that the system responds flexibly both to changing pollution abatement technology and to new knowledge such as cleaner production, waste minimization etc.

Validity Period of an EPL

- Prescribed industrial activities coming under List A-Maximum of one year from the effective date of the Licence.
- Prescribed industrial activities coming under List B-Maximum of three years from effective date of the Licence.
- Prescribed industrial activities coming under List C-Maximum of three years from the effective date of the Licence

Standards and Criteria

Section 23 A of the National Environmental Act (NEA) explicitly states that no person shall carry out any prescribed activity except under the authority of an EPL and in accordance with such standards and other criteria as may be prescribed under the Act.

The standards for discharge of wastewater into the environment were published in the Gazette Notification No. 1534/18 dated 01/02/2008 termed as the National Environmental (Protection & Quality) Regulations No 01 of 2008.

Standards were also gazetted for the control of noise emissions from industries by the Gazette Notification no. 924/12 dated 23.05.1996 termed as National Environmental (Noise Control) Regulations No. 01 of 1996.

Interim standards on vibration control are being imposed on the following vibration causing activities until such time the final vibration control standards are gazette: Operation of machinery, construction activities and vehicle movements / traffic, air blast over pressure and ground vibration for blasting activities, Inconvenience of the occupants in buildings.

Note:

The CEA may by a direction impose more stringent standards and criteria than those stipulated at present in respect of any particular industry, operation or process, having regard to the need to protect the receiving environment.

Procedure on Issuing EPL for Industrial activities

Environmental Protection Licenses for industries in List “A” and list “B” in Gazette Notification No:1533/16 dated 25.01.2008 is issued by the relevant Provincial/District offices of the CEA while Environmental Protection Licenses for Industries in List “C” is issued by the relevant Local Authority.

Procedure for issuing an EPL for industrial activities in List A and List B

Step 1: Application Procedure

- EPL application is published in the Form A of the schedule II of the Gazette Notification No. 1534/18 dated 01/02/2008. The application form could be obtained from the CEA Headquarters, Provincial and District Offices. It could be downloaded from the CEA website www.cea.lk
- Duly filled application shall be submitted for each prescribed activity to the relevant Provincial Office (PO) or District Office (DO) of the CEA.
- The applicant must provide all the particulars requested in the application form and submit to the PO or DO with following supporting documents.
 1. Certificate for the Registration of Business
 2. Legal authorization to use the land for the particular industrial activity. (Copy of deed, copy of the Lease agreement of the land etc.)
 3. Copy of Survey Plan of the land.

4. Legal authorization for establishing the particular industry at the site. (Certificate of Conformity/Trade License or Consent paper from relevant LA)
5. Production Certificate necessary for specific products. (Distilleries, medicinal products, pesticide manufacturing etc.)
6. Proposal for pollutant abatement.
7. Any other detail/document requested by the Authority

Step 2: Pre-Evaluation of the Application

Relevant Provincial/ District office of the CEA will pre-evaluate to check the relevancy of issuing the EPL, the adequacy of the details furnished and to determine the inspection fee to be requested. Then the application will proceed to step 3 and the rest go back to the step 1.

Step 3: Determination and payment of inspection fee

Based on the details furnished by the industrialist, the relevant Provincial/District Office decides the amount of the inspection fee to be paid and a written request will be made to the industrialist. The industrialist has to make such payment to the relevant Provincial/District Office, Head Office or any other Provincial/District office of the CEA. After the payment is made the receipt should be submitted to the relevant Provincial/District Office. Once the receipt is received, proceed to the step 4.

Step 4: Field Inspection

A team of officers will carry out a field inspection in order to assess the data furnished in the application with respect to the industry and to decide the possibility to operate such industry with controlling pollution.

Step 5: Inspection Report with Recommendations

Inspection team will prepare a report based on the field inspection details regarding the industry, technical reports provided by the applicant and social aspects along with their recommendations. If the site is recommended proceed to step 6.

If the recommendation suggested requesting a proposal for additional pollution control measures, the industrialist will be informed to fulfill such request. Decision to issue the EPL will be made based on the evaluation of the additional details provided by the applicant. Proceed to step 6.

If it is decided to refuse issuing of the licence, the applicant will be informed accordingly.

According to the provisions of the National Environmental Act, any applicant for a licence who is aggrieved by the refusal by the Authority to grant a licence may within thirty (30) days, after the date of notification of such decision to him/her, appeal in writing against such decision, to the Secretary of the Ministry of Environment.

Step 6: Approval for issuing EPL

Authorized officers of the CEA grant approval for issuing of EPL based on the recommendation made by the inspection team and then Legal Division of the CEA grant legal approval for the draft conditions of the EPL.

Step 7: Licence Fee

Once the legal approval is granted; the industrialist is requested to pay the Licence Fee so as to enable the CEA to issue an EPL for the industrial activity.

Step 8: Issuing EPL

Once the license fee is paid, the license will be issued with the signature of the authorized signatory for a period of time not more than the period as specified in the gazette. List "A" - one year; Lists "B" and "C" three years.

Procedure on Issuing EPL for Industrial activities in the List C

Issuing of EPL for the industrial activities in the List "C" was delegated to the Local Authorities (Municipal Council, Urban Council, and Pradeshiya Sabha) with effect from 14.02.2008 Under mentioned procedure is applied, when issuing an EPL for industrial activities in List "C".

Step 1: Application Procedure

EPL application is published in the Form A of the schedule II of the Gazette Notification No. 1534/18 dated 01/02/2008. The application form could be obtained from the Provincial, District Offices of CEA. It could be downloaded from the CEA website - www.cea.lk

For the purpose of applying a duly filled application shall be submitted for each prescribed activity to the relevant Local Authority where the industry is located.

The applicant must provide all the particulars requested in the application form.

1. Certificate for the Registration of Business
2. Legal authorization to use the land for particular industrial activity. (Copy of deed, copy of the Lease agreement of the land etc.)
3. Copy of Survey Plan of the land.
4. Production Certificate necessary for specific products. (distilleries, medicinal products, pesticide manufacturing etc.)
5. Proposal for pollutant abatement.
6. Any other detail/document requested by the Authority

Step 2: Pre-evaluation of the Application

Relevant Local Authority will pre-evaluate the relevancy for issuing of EPL, the adequacy of the details furnished and determine the inspection fee to be paid.

Step 3: Determination and payment of inspection fee

Based on the details furnished; the relevant Local Authority decides inspection fee to be paid by the industrialist and written request will be made to the industrialist to make such payment. Payment is to be made to the Local Authority. Once the payment is made a receipt should be obtained from the Local Authority. When the receipt is received, proceed to the step 4.

Step 4: Field inspection

An Inspection team will carry out field inspection in order to assess the data in the application with respect to the proposed industry and to determine the suitability of the site for the particular industrial activity.

Step 5: Inspection report and Recommendation

Inspection team prepares a report based on the field inspection, concern literature, technical reports provided by the applicant and social aspects including their suggestions. The report that is prepared by the Inspection team is submitted to the Technical Evaluation Committee (TEC). The committee is appointed by the respective Local Authority. Responsibility of the TEC is to advise Local Authority in subject of licensing procedure. Divisional Environmental Officer of the Provincial/ District office of the CEA who are assigned to the respective Local Authority area functions as the Secretary to the TEC.

Step 6: Technical Evaluation Committee

The TEC make their recommendation based on the report that is received from the Inspection team and other relevant documents related to the industry.

The TEC may decide to carry out a field inspection by them; the next step will be taken based on the inspection report of the TEC.

If the recommendations of the TEC suggested requesting proposal for additional pollution control measures; the industrialist will be informed to fulfill such request and proceed to the step 7 will be decided based on the evaluation of the additional reports provided by the applicant.

If the TEC recommends not to grant the EPL, the applicant will be informed accordingly. According to the provisions of the National Environmental Act, any applicant for a license who is aggrieved by the refusal by the Local Authority to grant a license, may within thirty (30) days, after the date of notification of such decision to him/her, appeal in writing against such decision, could be forwarded to the Secretary of the Ministry of Environment.

Step 7: Approval for issuing EPL

Authorized person of the Local Authority grants approval for issuing of EPL based on the recommendations made by the inspection team and TEC.

Step 8: Licence Fee

Once the approval is granted; the industrialist is requested to pay the License Fee; so as to enable the Local Authority to issue an EPL for the industrial activity for not more than three years.

Step 9: Issuing EPL

Once the license fee is paid the license is issued with authorized signatory for maximum of three years.

Renewal of EPL

(A) Renewal of the EPL FOR activities in list "A" and List"B"

An EPL renewal application has to be forwarded for each prescribed activity

1. Before three months prior to the date of expiry of the EPL.
2. Before one month effecting any changes alterations or extensions to the activity.

Step1: Application procedure

EPL Renewal application is published in Gazette notification no.1534/18 of 01/02/2008 also it could be obtained from CEA Head office, PO/DO., and It could be down loaded from CEA website www.cea.lk

Duly filled application shall be submitted for each prescribed activity to relevant PO or DO.

Step: 2 Field Inspections

1. A team of officers of CEA will carry out a field inspection to ascertain whether the conditions stipulated by the previous EPL are violated.
2. It is not necessary to pay inspection fee for the inspection carried out in order to EPL renewal.
3. The applicant/industrialist will be informed to have relevant pollution control measures if the violation of conditions observed.

Step 3 Licence fee for the renewal

The license fee for any renewal of EPL is same as previous EPL, and the validity period of the renewal is mentioned in the license.

After the payment of the EPL fee issuing of the license will be considered.

(B) Renewal of the EPL issued by a Local Authority (L/A) - Activities in list "C"

The CEA is not in a position to renew an EPL issued by a L/A, and the industrialist has to apply to relevant L.A for renewal.

Follow up monitoring of Industrial Activities

Follow up monitoring of industrial activities is carried out to;

1. Check the performance of pollution control systems established in the industry.
2. Check whether the industry complies with conditions stipulated in the EPL.
3. Check whether there is any change, expansion or alteration to the industrial process.

Monitoring activities are carried out by;

1. Inspecting the industries at regular intervals.
2. Going through the reports on wastewater analysis, noise/ vibration measurements and reports on efficiency/evaluation of pollution control systems adapted in an industrial activity.

In these instances the industrialists will be requested to consult reputed laboratories to obtain such test reports periodically, as may be indicated in the EPL.

Initiating Legal Proceedings against industries

Legal proceedings are adopted under part IV A of the NEA when;

1. An industrial activity/ process acts in violation of any terms, conditions and standards stipulated in the licence.
2. The prescribed industries who do not obtain an EPL
3. A prescribed activity emits waste to the environment with out conforming to the stipulated standards.

If the industrialist continues to violate the conditions legal action will be initiated.

Legal Procedure includes following cause of actions

1. Cancellation /suspension of EPL
2. Rejection of application for EPL
3. Hearing of appeals by the secretary of the Ministry of Environment.
4. Sending Legal Notices
5. Filing Cases.

Scheduled Waste Management (Hazardous Waste Management) Licensing

Hazardous Waste have been defined as the Scheduled Waste and prescribed under the Gazette Extra Ordinary 1534/18 Dated 01.02.2008.

As per the regulations stipulated under the Part II of the National Environmental (Protection & Quality) Regulations No 01 of 2008 all persons involved in the handling of (Generate, Collect, Transport, Store, Recover or Recycle and Disposal of waste or establish any site or facility for the disposal) Scheduled Waste specified in the Schedule VIII of the regulation should obtain a license from the Central Environmental Authority.

The Scheduled Waste Management Licensing Procedure

Step 1: Submission of the duly filled application for the Scheduled Waste Management together with the supportive documents.

Documents required/ Supportive documents

1. Business registration
2. Site plan
3. Waste Management plan and related agreements
4. Route sketch to the site
5. Any other relevant approvals and documents

Step 2: Payment of the inspection fee

Inspection fee is only charged for the initial inspection. Those industries which have been obtained the Environmental Protection License (EPL) from the Central Environmental Authority are exempted from the inspection fee.

Step 3: Site inspection

Officers of the Waste Management Unit/ CEA will carry out the site inspection.

Step 4: Issuance of the License

Environmental Incident Report

An environmental incident is an unexpected event that may result in harm to the environment and requires some action to minimize the impact or restore the environment. See page 2 of this form for guidance notes.

Business unit:			
Project name:			
Project number:			
Date of incident:		Time (24:00 format)	
Exact location of incident (see note 1):			
What type of activity the team engaged in when incident occurred:			
Who notified you of the incident? (e.g. employee, local authority, member of public)			
Name and phone number of complainant			
Nature and level of incident (see note 2)	Level <input type="checkbox"/> Major <input type="checkbox"/> Minor		<input type="checkbox"/> Other (specify)
	Nature <input type="checkbox"/> Chemical spill (including fuel) <input type="checkbox"/> Air emission <input type="checkbox"/> Noise complaint <input type="checkbox"/> Contaminated water discharged (not muddy water) <input type="checkbox"/> Erosion and sedimentation <input type="checkbox"/> Unauthorized removal of vegetation		
Description of the incident (see note 3)	_____ _____ Estimated quantity, volume or area involved (include unit of measure) ____		
Immediate actions taken and control measures implemented (see note 4)			
Proposed corrective (or preventive action) (see note 5)			
Follow up actions undertaken (see note 6)			

Signature over Printed Name

Position

Date

GUIDANCE NOTES**NOTE 1: Exact location of the incident**

Provide details of the location of the incident in relation to the project site. Include:

- (i) Name of the region
- (ii) Distances from environmentally sensitive areas (e.g. watercourses, conservation reserves)
- (iii) Landmarks, cross streets, etc

NOTE 2: Major or minor incident?

A major incident has occurred if:

- (i) Material has escaped from site, or
- (ii) Clean-up requires external assistance (fire brigade or other emergency services)

If neither of these conditions apply, the incident is rated 'minor'

NOTE 3: Description of the project

Provide a brief, succinct, factual description of the incident including:

- (i) What happened leading up to the incident
- (ii) The material involved (if leak or spill)
- (iii) The estimated volume of spilled or leaked material
- (iv) The area of land or water affected

NOTE 4: Immediate actions and control measures

Describe the actions taken immediately to minimize the impact of the incident.

NOTE 5: Corrective and preventive action

Provide details of actions implemented to clean up and remediate the affected area and actions implemented to prevent the incident from occurring again. Raise a CAR if appropriate.

NOTE 6: Follow-up actions

- (i) Include any actions undertaken or proposed to be undertaken as a result of the incident (e.g. additional training, purchasing new plant, using alternative materials)
- (ii) Forward a copy of the incident report to the project management office following company management review.

**Suggested Scope for an Annual Monitoring Report for
Subproject Companies**

A. Subproject Name and Summary Information

1. Company name
2. Location (address, coordinates, land use, surrounding environmental feature)
3. Sector/subsector
4. Nature / type of business
5. Sub-loan amount
6. Purpose of sub-loan
7. Term of sub-loan

B. Relevant Environmental Permits or Compliance Certificates

1. Due diligence and/or audits undertaken during the year (list the number and type of investigations undertaken)
2. Non-conformances report (NCR) and corrective actions report (CAR) (Number of NCRs/CARs resulting from inspections / monitoring / audits etc on approved subprojects)
3. Environmental incidents (any incidents provided by subborrowers, provide details)
4. Training delivered (awareness training on the project SEMS to the environmental staff of subproject companies)
5. Other environmental impacts including health and safety or social issues arising

Name and signature

Name:

Date:

Position:

Phone:

Signature:

Email:

Visit Report – Project Implementation/Completion

(To be filled within two weeks of the visit)

CLIENT :				IMPL. OFF :							
PRODUCT :				APPR. OFF :							
LOCATION OF FACTORY:				DATE OF VISIT :							
CONTACT PERSON : Tel. No.				LAST VISITED ON:							
PROJECT COST/FINANCING (Rs'000)											
Item	APPRAISAL ESTIMATE			COST TO DATE			ESTIMATED BALANCE COST			COST OVER RUN	
	Debt	Equity	Total	Debt	Equity	Total	Debt	Equity	Total		
Land											
Building											
Pl. & M.											
Other Assets											
M. Veh.											
Pre-Operational											
Contingencies											
WC											
Total											
Debt/Equity Ratio											
Cost Over-run: Yes/No				Sponsor's financing satisfactory : Yes/No							
Comments on Cost Over-run & Means of Financing											
<p>DFCC LOAN</p> <p>Amount: _____ Disbursements to date: _____</p> <p>Details of last Disbursement :</p> <p>Date: _____ Amount: _____ Purpose: _____</p>											
<p>SECURITY: (Details of Security)</p> <p>Security Documentation complete Yes/No (if no, give reasons)</p>											
<p>REFINANCE</p> <p>Has refinance been claimed for all Disbursements : Yes/No If not, comment:</p>											

SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) OF DFCC BANK

Annex 13 (Contd.)

IMPLEMENTATION SCHEDULE				
	Estm.	Revised/ Actual	Reasons for the delay	Comments
DFCC Approval				
Security Doc.				
Open LCs				
Civil Works				
Installation				
Trials				
Comm. Operation				
INSURANCE				
Have the assets of the project been insured : Yes/No				
If assets of the project have not been insured, reasons/action proposed:				
WORKING CAPITAL (arrangements made for working capital)				
COMMENTS ON DEBT SERVICING (if in arrears, reasons for non-payment)				
ISSUES (deviations of project scope, operational/management issues if any)				

VISIT REPORT-PROJECT OPERATIONS

(To be filled within 2 weeks of the visit)

a) **Background Data:-**

Client Location.....

Contact Person..... Telephone.....

Date of visit..... Last visit on.....

Total DFCC Bank facilities granted..... Amt outstanding.....

Description of projects financed by DFCC Bank and their status :

.....
.....

If DFCC Bank loans are in arrears : Amount Age

Reasons for arrears:.....

Planned recovery method of arrears :

Security:.....

Is all machinery/vehicles financed by DFCC Bank in working order :.....

Is all machinery/vehicles mortgaged to DFCC Bank in the factory :.....

Have the assets of the factory been insured :.....

Name of the Insurance Co:..... Date of Insurance:.....Assigned to DFCC or not.....

Arrangements for working capital :

b) **Observations in respect of key operational areas**

Production:-.....

Marketing:-.....

Management:-.....

Other(Specify):-.....

c) Planned expansion/ diversification projects:.....

d) Prospects for a further facility:-.....

Annex 13 (Contd.)

e) Social and Environmental compliance / Impact assessment

1. Has the Environment Protection License (EPL) been renewed on time - Yes / No / N/A

2. If No, give reasons and a time frame for obtaining the same

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3. Is there an Environmental Monitoring / Management Plan ? – Yes / No / N/A

4. If Yes, give status of the progress.

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5. Is there agitation / opposition towards the operation of the project from the villagers? Yes / No

6. If Yes, briefly state the nature and seriousness of the opposition.

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7. Has there been worker unrest during the previous six months? Yes / No

8. If Yes, briefly state the nature and seriousness of the unrest.

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9. Any other observations with regard to Social and Environmental matters.

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g) Major issues:-.....

h) Recommendation:-.....

Name of the Officer:.....

Manager.....

Signature:.....

Date:.....