

Environmental and Social Management System Arrangement

November 2017

PAK: Enhancing Public–Private Partnerships in
Punjab Project

CURRENCY EQUIVALENTS

(as of 23 October 2017)

Currency unit	–	Pakistan rupee/s (Pre/PRs)
PRr1.00	=	\$.0095
\$1.00	=	PRs105.2500

ABBREVIATIONS

ADB	–	Asian Development Bank
CAP	–	Corrective Action Plan
DFIs	–	Development Finance Institutions
EA	–	Environmental Assessment
EC	–	Environmental Checklist
ECC	–	Economic Coordination Council
EHS	–	Environmental Health and Safety
EIA	–	Environmental Impact Assessment
EMP	–	Environmental Management Plan
EPA	–	Environmental Protection Agency
EPFI	–	Equator Principles Financial Institution
ESMS	–	Environmental and social management system
GHG	–	Greenhouse Gas
GRM	–	Grievance Redress Mechanism
IBRD	–	International Bank for Reconstruction and Development
IDA	–	International Development Association
IEE	–	Initial Environmental Examination
IFC	–	International Finance Corporation
IFI	–	International Financial Institution
IPDF	–	Infrastructure Project Development Facility
MEA	–	Multilateral Environmental Agreement
NEQS	–	National Environmental Quality Standards
P&D	–	Planning and Development
PIU	–	Project Implementation Unit
PPP	–	Public-Private Partnership
RMU	–	Risk Management Unit
PEPA	–	Pakistan Environmental Protection Agency
PEQS	–	Punjab Environmental Quality Standards
SPS	–	Safeguard Policy Statement
TOR	–	Terms of Reference
VGF	–	Viability Gap Funding
WB	–	The World Bank

NOTES

- (i) The fiscal year (FY) of the Government of Pakistan, its agencies and participating financial institutions ends on 30 June.
- (ii) In this report, “\$” refers to US dollars unless otherwise stated.

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I. BACKGROUND

1. The Government of Punjab (GOPb) requested the Asian Development Bank (ADB) to develop the proposed Enhancing Public–Private Partnerships (PPP) in Punjab Project which aims to develop a financially sustainable and fiscally responsible PPPs in Punjab. The project outputs are (i) project development fund (PDF) and viability gap fund (VGF) resources for PPP projects augmented, and (ii) PPP institutional capacity enhanced and strengthened. The project builds on ADBs partnership with Government of Pakistan (GOP) and GOPb to develop financially sustainable and fiscally responsible PPP projects that offer value-for-money (VFM).

2. The proposed project will help address the deficiencies in the financing resources of GOPb to support more commercially viable PPP projects but more importantly, the project will help address the identified capacity gaps to ensure selected PPP projects offer value-for-money (VFM). The proposed institutional arrangement for managing VGF resources will put in a place strong corporate governance, risk controls and an environmental and social management system arrangement (as detailed in this document) to effectively manage the approval, allocation and monitoring of VGF resources to support and deliver more fiscally responsible PPP projects in Punjab.

II. POLICY, LEGISLATION AND GUIDELINES FOR FINANCIAL INTERMEDIARY PROJECTS

3. All ADB financed and/or ADB-administered sovereign and non-sovereign projects and their components regardless of the source of financing are required to comply with the ADB Safeguard Policy Statement (SPS, 2009).¹ ADB's SPS sets out the policy objectives, scope and triggers, and principles for three key safeguards areas—environmental safeguards, involuntary resettlement safeguards, and indigenous peoples' safeguards (see Appendix 1a, 1b, and 1c).

4. ADB uses a classification system to reflect the significance of a project's potential environmental and social impacts. For environment, a proposed project/subproject is classified as category A and requires an environmental impact assessment (EIA) if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. An environmental impact assessment is required. A proposed project/subproject is classified as environment category B and requires an initial environmental examination (IEE) if its potential adverse environmental impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily. A proposed project/subproject is classified as C for environment if it is likely to have minimal or no adverse environmental impacts. Lastly, a proposed project is classified as category FI if it involves investment of ADB funds to or through a financial intermediary (FI).

5. For involuntary resettlement (IR), project/subproject is classified as IR category A if it will have major IR impacts on 200 or more persons, i.e., being physically displaced from housing, or losing 10% or more of their productive assets (income generating), and IR category B if it will have lesser IR impacts. Both IR category A and B projects/subprojects are required to prepare a resettlement plan.

6. For indigenous peoples' safeguards (IP), project/subproject is classified as IP category A if it is likely to have significant direct and indirect impacts on IPs' dignity, customary rights on use

¹ ADB 2009. Safeguard Policy Statement (SPS). Manila.

and access of land and natural resources, socioeconomic status, cultural and communal integrity, health, education, livelihood and social security status, recognition of indigenous knowledge and vulnerability. Projects/subprojects with lesser adverse impacts on IPs or only having positive impacts are classified as IP category B. Both IP category A and B projects/subprojects are required to prepare an indigenous peoples' plan (IPP) commensurate to the impacts.

7. The Punjab PPP project, a FI project will have the following policies and legislations together with project screening and categorization procedures.

A. Environmental Legislation of Pakistan

8. The Pakistan Environmental Protection Agency (Review of IEE/EIA) Regulations 2000 ("the PEPA regulations"), together with section 12 of the Pakistan Environmental Protection Act 1997, requires that every new development project in Pakistan is preceded by an environmental examination. Projects are categorized according to their potential environmental impacts. Projects that have reasonably foreseeable impacts (Schedule I) are required to have IEEs, while projects that have more adverse environmental impact (Schedule II) are required to have EIAs. For projects deemed to have minimal environmental impacts, no further action is required.

9. Under PEPA regulations, the Federal Environmental Protection Agency (EPA) delegated the review of IEEs/EIAs to the provincial EPAs. Thereafter, the rules and regulations under the PEPA 1997 have been adopted by the provinces. To date, the following Acts have been passed by the provincial assemblies: Punjab Environmental Protection Act (2012); Baluchistan Environmental Protection Act (2013); Sindh Environmental Protection Act (2014); KP Environmental Protection Act (2014).

10. The provinces intend to update the related regulation and guidance according to their environmental requirements and sensitivities. Existing IEE/EIA Regulation, National Environmental Quality Standards (NEQS), Rules and Guidelines for Environmental Assessments notified by Pak-EPA are currently being used for compliance. These include the set of EIA guidelines prepared by the federal and provincial EPAs.

11. The Regulations provide details in preparing, submitting, and reviewing IEEs and EIAs. The following is a brief step-wise description of the approval process.

- (i) An EIA or IEE is conducted as per the requirement and following the Punjab-EPA guidelines;
- (ii) The proponent submits the EIA or IEE to the Punjab EPA, accompanied by an application in the format prescribed in Schedule IV of the regulations and pay the review fee;
- (iii) The EPA conducts a preliminary scrutiny of the completeness of the IEE/EIA for review and replies to the proponent within 10 days;
- (iv) In case of EIA, simultaneous to the confirmation of completeness EPA publishes in any English or Urdu national newspaper and in a local newspaper of general circulation in the area affected by the project, a public notice mentioning the type of project, its exact location, the name and address of the proponent and the places at which the EIA of the project can be accessed and fix a date, time and place for public hearing of any comments on the project or its EIA. EPA will also circulate the EIA to the concerned Government Agencies to solicit their comments;
- (v) The EPA makes every effort to complete the IEE and EIA review within 45 and 90 days, respectively and accords its approval subject to certain conditions:

- (vi) Before commencing construction of the project, the proponent submits (a) an undertaking accepting the EPA conditions, and (b) an EMP with a request for obtaining confirmation of compliance.
- (vii) Before commencing operation of the project, the proponent obtains from the EPA a written confirmation of compliance with the approval conditions and requirements of the IEE/EIA.
- (viii) The EPA issues confirmation of compliance within 15 days of the receipt of request and complete documentation. The IEE/EIA approval is valid for three years from the date of accord.
- (ix) The proponent submits a monitoring report to the EPA after completion of construction, followed by annual monitoring reports during operation.

B. Legislation on Land Acquisition and Resettlement

12. The Land Acquisition Act of 1894 (LAA), as amended from time to time, is the main law regulating land acquisition for public purpose in Pakistan. It requires that following an impacts assessment and valuation, land, structures, crops and other improvements are compensated in cash at market rate to titled landowners and registered land tenants/users. In addition, a 15% Compulsory Acquisition Surcharge is provided. In addition to LAA, the GOPb has also adopted the Land Acquisition Rules 1983 which are quite similar to LAA but have some timelines between successive sections of the LA rules.

13. Only legal owners and tenants registered with the land revenue department or with formal lease agreements are eligible for compensation/livelihood support. The LAA also does not openly mandate the provision of specific rehabilitation/assistance to poor and vulnerable groups, nor does it require rehabilitation of income/livelihood losses or resettlement costs. There is also no requirement to monitor and assess resettlement outcomes and impacts, and disclose monitoring reports.

14. The land acquisition process officially starts with the publication of preliminary notification under Section 4 of the LAA. This is followed with the conduct of surveys, measurements, valuation, inquiry on objections, formal declaration of intent to acquire land, dispute resolution, payment of compensation and taking possession of the acquired land.

C. ADB Safeguards Policy Statement 2009 (SPS)

15. The Asian Development Bank's Safeguard Policy Statement (SPS) 2009 applies to all ADB-financed and/or ADB-administered sovereign and non-sovereign projects, and their components regardless of the source of financing. ADB will not finance projects that do not comply with ADB's SPS, nor will it finance projects that do not comply with the host country's social and environmental laws and regulations, including those laws implementing host country obligations under international law. ADB's SPS sets out the policy objectives, scope and triggers, and principles for three key safeguard areas: environmental safeguards, involuntary resettlement safeguards, and indigenous peoples safeguards. ADB adopts a set of specific safeguard requirements that borrowers/clients are required to meet in addressing environmental and social impacts and risks.

1. Environmental Safeguards

16. ADB SPS requires that environmental considerations be incorporated into ADB-financed and/or administered projects to ensure that these will have minimal environmental impact and be

environmentally sound. Occupational health and safety of the local population should also be addressed, as well as the project workers. Borrowers/clients are required to submit periodic monitoring reports on their implementation performance. A Grievance Redress Mechanism to receive applications and facilitate resolution of affected peoples' concerns, complaints, and grievances about the project's environmental performance must also be established.

17. All loans and investments are screened for potential environmental and social impacts and risks. With regard to environment, categorization is to be undertaken using Rapid Environmental Assessment (REA) checklists, consisting of questions relating to (i) the sensitivity and vulnerability of environmental resources in project area, and (ii) the potential for the project to cause significant adverse environmental impacts. Projects are classified into one of the following environmental categories:

- (i) **Environment Category A:** Project/subproject is likely to have significant adverse environmental impacts that are irreversible, diverse or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. An environmental impact assessment (EIA) is required.
- (ii) **Environment Category B:** Project/subproject's impacts are site-specific, few, irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. An initial environmental examination (IEE) is required.
- (iii) **Environment Category C:** Project/subproject is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.
- (iv) **Environment Category FI:** Project/subproject involves investment of ADB funds to or through a financial intermediary (FI).

2. Social Safeguards

18. Social safeguards seek to avoid, minimize, or compensate for adverse involuntary resettlement (IR) and/or impacts to indigenous peoples (IP). ADB administered and/or financed projects are required to identify potential IR and IP impacts early in the project cycle and plan to avoid, minimize, mitigate or compensate for these potential adverse impacts throughout the project cycle to ensure that displaced persons (DPs) are assisted in improving or at least restoring their livelihood and improve the standards of living of the displaced poor and vulnerable groups. ADB SPS requires that those who are adversely affected are meaningfully consulted and informed of options and their eligibility for compensation, and are provided with accessible avenues for grievance redress. Plans and activities for addressing IR and IP impacts are to be monitored and evaluated.

19. Projects/subprojects are classified into one of the following four categories in terms of IR impacts and risks:

- (i) **IR Category A:** Project/subproject will have major IR impacts on 200 or more persons i.e. being physically displaced from housing, or losing 10% or more of their productive assets (income generating). A resettlement plan, including assessment of social impacts is required.
- (ii) **IR Category B:** Project/subproject that will have major IR impacts on less than 200 persons. A resettlement plan, including assessment of social impacts is required.
- (iii) **IR Category C:** Project/subproject is likely to have no IR impacts whatsoever. No further action is required.
- (iv) **IR Category FI:** Project/subproject involves investment of ADB funds to or through a financial intermediary (FI).

20. **Indigenous Peoples:** In terms of IP impacts and risks, projects/subprojects are classified into one of the following four categories:

- (i) **IP Category A:** Project/subproject is likely to have significant direct and indirect impacts on IPs' dignity, customary rights on use and access of land and natural resources, socioeconomic status, cultural and communal integrity, health, education, livelihood and social security status, recognition of indigenous knowledge and vulnerability. An Indigenous Peoples Plan (IPP), including assessment of social impacts, is required.
- (ii) **IP Category B:** Project/subproject that will likely have limited impacts on IPs. An IPP, including assessment of social impacts, is required. Where IPs are the overwhelming majority of direct project/subproject beneficiaries, the elements of the IPP could be integrated into the project/subproject design in lieu of preparing a separate IPP.
- (iii) **IP Category C:** Project/subproject is likely to have no impacts on IPs whatsoever. No further action is required.
- (iv) **IP Category FI:** Project/subproject involves investment of ADB funds to or through a financial intermediary (FI).

D. Addressing Gaps Between the LAA/LA Rules and ADB Social Safeguards

21. Projects/subprojects funded under the Punjab PPP project are required to comply with Pakistan's Land Acquisition Act, the Punjab LA Rules, and ADB SPS requirements. To address the variance in some of the LAA and SPS policy requirements, the following standards and measures will be used for subprojects funded under Punjab PPP project: (i) non-title holders will be compensated at replacement cost for their loss of assets other than land, such as dwellings, and other improvements to the land provided they have been occupying the land or structure prior to the cut-off date for eligibility for resettlement assistance; (ii) displaced persons (DPs) losing livelihood will be assisted in order to at least restore their lost livelihood; (iii) efforts will be made to identify DPs who may be considered vulnerable (i.e. poor, widows, orphans and aged) and will be provided with appropriate targeted assistance to help improve their standards of living; and (iv) PPP Cell, as EMSM focal, will be required to submit monitoring reports on a semi-annual basis on the implementation of measures and plans to address IR and IP impacts in subprojects funded under the project.

E. Climate Risk Management In ADB Projects

22. The climate risk management approach of the ADB aims to reduce risks resulting from climate change to investment projects in Asia and the Pacific. ADB's framework identifies climate change risks to project performance in the early stages of project development, and incorporates adaptation measures in the design of projects at risk. ADB climate risk management framework comprises the following steps: (i) context-sensitive climate risk screening at the concept development stage to identify projects that may be at medium or high risk; (ii) climate change risk and vulnerability assessment during preparation of projects at risk; (iii) technical and economic evaluation of adaptation options; (iv) identification of adaptation options in project design; and (v) monitoring and reporting of the level of risk and climate-proofing measures.

F. Requirements for Financial Intermediaries (FI) Projects

23. For projects involving investment of ADB funds to or through financial intermediaries (FI), an environmental and social management system (ESMS) to be maintained as part of the overall management system to meet national laws and/or ADB's requirements for FI projects. The ESMS

should incorporate the following elements: (i) environmental and social policies, (ii) screening, categorization and review procedure; (iii) organizational structure and staffing including skills and competencies in environmental and social areas; (iv) training requirements, and (v) monitoring and reporting. Subprojects that have potential for significant environmental or social impacts should meet all ADB SPS requirements, including information disclosure and consultation and are referred to ADB for review. ADB will monitor the FI's performance on the basis of its ESMS. The FI is required to prepare and submit periodic reports at least annually on the implementation status of its ESMS. If the reports or ADB's reviews conclude that the ESMS is not functioning, the FI will prepare and submit a corrective action plan agreed to with ADB and implement it.

G. Disclosure Requirements

24. All ADB-financed and ADB-administered projects must ensure that relevant information 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 and to other stakeholders so they can provide meaningful inputs into project design and implementation. These include safeguards assessments and plans (EIAs, IEEs, LARPs, IPPs) and safeguards monitoring reports. For environment category A projects, ADB must post draft EIA reports on its website at least 120 days before Board consideration. For updates and monitoring reports, ADB is required to disclose in its website upon receipt.

H. Incorporating Social Dimensions and Social Protection

25. ADB Social Protection Strategy (2001) requires ADB to (a) ensure that vulnerable groups that maybe negatively affected by an ADB intervention are adequately compensated and mitigation measures put in place to avoid creating further poverty, (b) comply with internationally recognized core labor standards in the design and formulation of loans, and (c) as part of its regular loan reviews, monitor that these are complied with.

III. ORGANIZATIONAL RESPONSIBILITIES, RESOURCES AND CAPACITY

A. Institutional Framework

26. The institutional framework for PPP project is defined by the Punjab PPP Act (2014) and the Punjab PPP Policy (2009), as described in Appendix 2. It is comprised of the following entities: (i) a high level inter-departmental PPP Steering Committee; (ii) a central PPP Cell located in the Planning and Development Department (PDD) to provide support to the PPP Steering Committee and PPP Nodes; (iii) PPP Nodes as focal points for specific PPP projects in line departments and city district governments; and (iv) a Risk Management Unit (RMU) as fiscal guardian in the Finance Department (FD). A VGF subcommittee of the PPP Steering Committee for overview of VGF specific approval matters for PPP projects will be established. The PPP Cell will act as the ESMS focal point for VGF supported PPP projects.

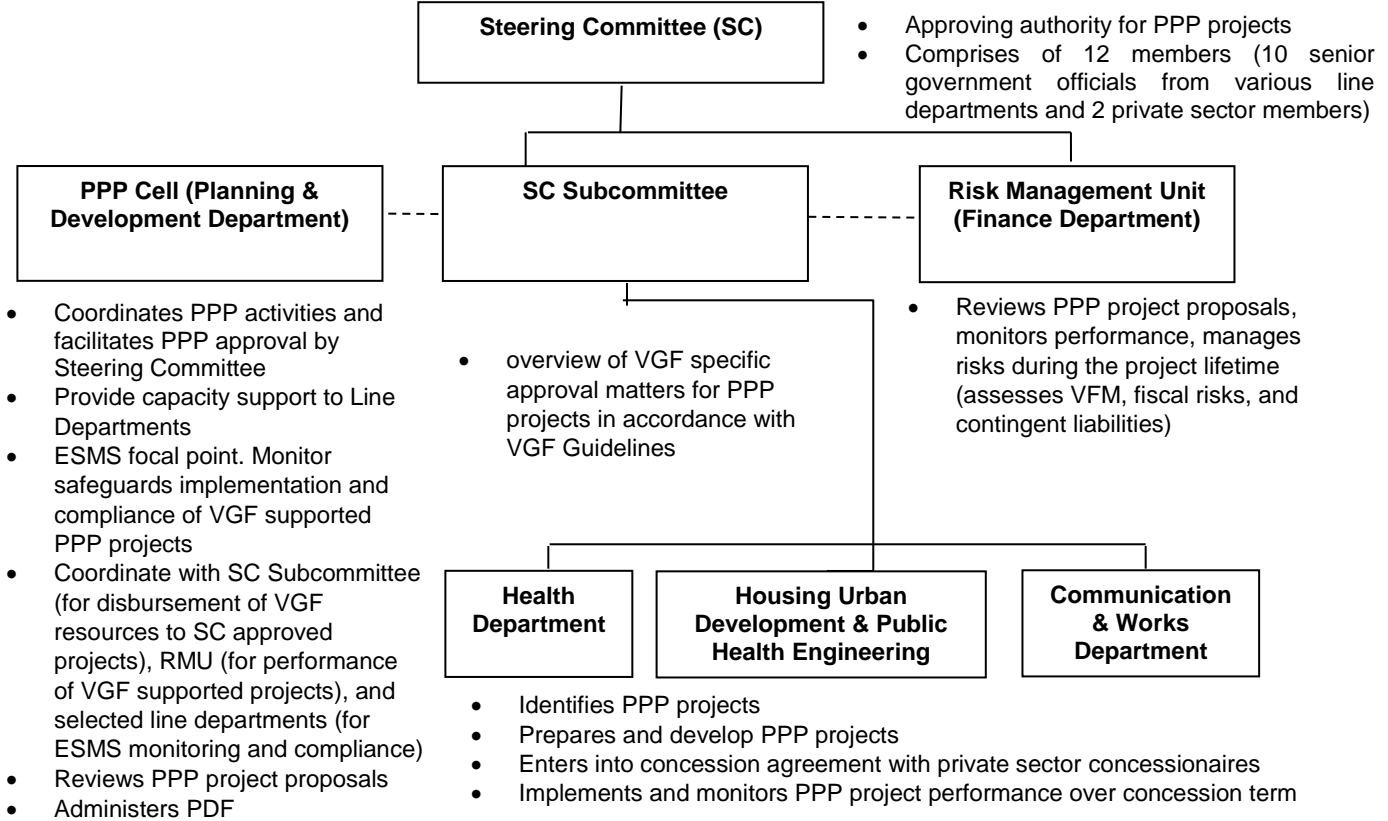
27. All these units will play specific roles in ensuring that projects supported through the VGF can effectively address and manage environmental and social risks and impacts associated with such projects.

28. The Punjab EPA may be engaged as an assistive institution for review and approval of the environmental assessment, mitigation measures, and any additional capacity building in implementing national environmental safeguards. The Government Agencies or PPP Nodes may

consult other government regulatory agencies on matters pertaining to their jurisdiction. Below is a diagram showing institutional arrangements to facilitate PPP transactions in the Punjab.

29. Diagram below summarizes the institutional setup for PPPs in Punjab.

PPP Institutional Setup in Punjab and Proposed Modifications



1. PPP Steering Committee

30. To ensure a consistent approach to PPPs across sectors and an efficient use of funds by line departments and local governments, strong and effective coordination is essential. Such coordination will be provided by the PPP Steering Committee consisting of Minister for Planning & Development (Chair), Minister for Finance (Vice Chair), Minister for Local Government, Chairman Planning & Development Board, Secretary Finance Department, Secretary Planning & Development Department, Secretary Irrigation & Power Department, Secretary Communication & Works Department, Secretary Transport Department, Secretary Housing Urban Development & Public Health Engineering Department, Secretary Commerce & Investment Department, Secretary Education Department, Secretary Health Department, Member (PPP) Planning & Development Board (Secretary).

31. The PPP Steering Committee will be final deciding body for all PPP projects in Punjab. As such, it will have the following responsibilities:

- (i) Formulate the PPP Policy for approval by the government;
- (ii) Supervise and Coordinate implementation of the PPP Policy by line departments and local governments;
- (iii) Approve or reject PPP Nodes' requests for financial assistance for project preparation through the PDF;
- (iv) Approve, reject or send back for reconsideration recommendations submitted by line departments and local governments on contract awards to private sector partners; and

- (v) Assist line departments and local governments in solving major problems impeding PPP project preparation and implementation.

2. PPP Cell

32. The PDD will be required to establish an ESMS, as required by ADB SPS 2009 for environmental and social safeguards, to determine, mitigate, and manage environmental and social impacts of PPP projects as a basis for recommending projects for consideration by the PPP Steering Committee. The PPP Cell will be the ESMS focal for the project and perform the coordinating function for environmental and social issues, will ensure that the resources are made available for environmental and social management. The PPP Cell will submit to ADB the annual environmental and social performance report on the implementation status of its ESMS.

33. As the ESMS focal under the project, the PPP Cell will ensure that adequate resources have been committed to allow for the effective implementation of the ESMS policy and procedures and provide technical safeguards support. The PPP Cell will appoint a ESMS Focal who will be assisted by an Environment Specialist and a Resettlement Specialist. ESMS Focal will ensure that VGF supported projects are prepared fully in accordance with ESMS and implemented/supervised in line with the arrangements agreed in ESMS. The PPP Cell, in coordination with PPP Nodes will also submit semiannual social monitoring reports of LARPs to ADB; identify the safeguards capacity building and training requirements for PPP Nodes; and design and deliver training modules based on the training needs of PPP Nodes. The PPP Cell will also develop close linkages with the Punjab EPA to seek technical advice as and when required.

34. The PPP Steering Committee is administratively and technically supported by the PPP Cell in PDD. Its mandate is to promote and facilitate PPP development in Punjab and assist line departments and local governments in preparing and executing high-quality PPP projects. To fulfill this mandate, the PPP Cell performs the roles of a PPP catalyst and advocate, knowledge manager, and policy and project advisor.

35. The PPP Cell has the following main functions:

- (i) Develop operating guidelines (including VGF Guidelines in close coordination with the RMU), procedures and model documents for PPP projects for approval by the PPP Steering Committee;
- (ii) Provide support and advice to line departments and local governments throughout the PPP process;
- (iii) Provide financing to PPP Nodes for project preparation through the PDF;
- (iv) Evaluate and prioritize PPP project proposals submitted by line departments and local governments;
- (v) Evaluate the type and amount of government support sought for PPP projects in close cooperation with the RMU;
- (vi) Review bid evaluation reports, submitted by line departments and local governments;
- (vii) Serve as the focal point on PPP projects for investors, the business community and general public;
- (viii) Prepare and regularly update a pipeline of PPP projects;
- (ix) Maintain a PPP website with the relevant policy, legal, regulatory and project related information, disclose LARPs and social monitoring reports; and
- (x) Perform any other functions as may be assigned to it by the PPP Steering Committee.

36. The Punjab PPP Cell has prepared the following guidelines to facilitate the PPP process:
- (i) Environmental Assessment Guidelines.
 - (ii) PDF Guidelines.
 - (iii) Project Inception Guidelines.
 - (iv) Project Preparation Guidelines.
 - (v) Risk Management Guidelines.
 - (vi) Social Impact Assessment Guidelines, which will be reviewed and made consistent with ADB's SPS requirements during project implementation
 - (vii) Transaction Execution Guidelines.

3. Risk Management Unit

37. The RMU will have the following functions:
- (i) Develop risk management guidelines (including providing input to the development of VGF Guidelines) for PPP projects;
 - (ii) Examine whether requests for government support and the proposed risk sharing arrangements are consistent with the risk management guidelines (including the VGF Guidelines) and fiscally sustainable;
 - (iii) Ensure the inclusion of approved government support in the Government's Annual Development Program;
 - (iv) Monitor the Government's direct and contingent liabilities related to PPP projects;
 - (v) Monitor the financial performance of PPP projects during their operation; and
 - (vi) Perform any other functions as may be assigned to it by the PPP Steering Committee.

4. PPP Nodes

38. Both the Government Agency (termed as PPP Node in the project) and the private sector partner (in case of an unsolicited proposal) are responsible for preliminary screening of the project proposal, assessment of environmental effects, stakeholder participation and consultation, development of mitigation measures and associated costs, seeking environmental approval, setting-up the implementation and monitoring mechanisms, and compliance reporting.

39. For these purposes, the Punjab PPP Act (2014) requires each government agency to set up PPP Nodes in case it intends to develop and implement a PPP project. The potential PPP Nodes that can be considered under the proposed project are the communications and works department, Health Department and Housing Urban Development & Public Health Engineering Department. Other potential PPP Nodes will be further discussed and assessed as part of the loan processing. The government agencies and PPP Nodes with insufficient capacity or expertise will continue to be facilitated by the PPP Cell for project development, preparation, and execution and safeguards capacity building/training by the PPP Cell. Under the Punjab PPP Project, the selected PPP Nodes will have an environment specialist and a resettlement specialist provided under TRTA who will assist PPP Nodes in preparation and implementation of land acquisition and resettlement plans (LARPs) in line with ESMS and SPS requirements, and provide internal social monitoring reports on a quarterly basis. The PPP Nodes will further ensure screening and assessment of environment and social impacts and risks of PPP projects hold community consultations and put in place an efficient grievance redress mechanism to address any complaints or grievances of displaced persons during project implementation.

B. VGF Management and Guidelines

40. A VGF subcommittee of the PPP Steering Committee will be established for overview of VGF specific approval matters for PPP projects. The Planning and Development Department, through the PPP Cell, will be responsible for managing VGF resources in accordance with the VGF Guidelines. The RMU will be staffed with expertise covering project finance, contract management, and audit specialists to assist in the review and monitoring of VGF supported PPP proposals and projects. A VGF Guidelines will be established and adopted in Punjab and will provide guidance on the use, management and monitoring of VGF resources.

C. Punjab PPP Policy 2009

41. The PPP Policy aims also included the promotion of social development and inclusive economic growth, protection of environment and interests of all stakeholders which the policy aims to achieve by complying with relevant laws and regulations of Punjab and Pakistan and ensuring fairness, transparency and access to information. Prior to submitting PPP proposals, the policy requires undertaking feasibility studies (including environment and social impact assessments), obtaining the necessary approvals from Punjab Environment Protection Agency (Pb EPA) for IEEs and EIAs and acquiring land using the Punjab Land Acquisition Rules 1983 and Pakistan's Land Acquisition Act of 1894. Environment assessment and its approval being a condition precedent to the effectiveness of the Concession Agreement, the PPP nodes are required to ensure environmental approvals from EPA but the land acquisition is not always consistent with the requirements of ADB's SPS 2009.

D. Proposed Staffing

42. The following sections describe the staff and their tasks related to ESMS.

1. ESMS Focal, PPP Cell

43. The ESMS Focal will report to the Member PPP Cell and ensure that adequate resources are committed to allow for the effective implementation of this ESMS policy and procedures. The ESMS Focal, supported by 1 specialist on Environment and 1 specialist on Resettlement and Indigenous Peoples will be the ESMS focal point. Key ESMS-related tasks are as follows:

- (i) Serve as overall ESMS focal point and have oversight for environmental and social issues (including involuntary resettlement, indigenous peoples' issues, gender, labor, and other social risks) in VGF-funded projects;
- (ii) Ensure that relevant units within the PPP Cell, RMU, PPP Nodes and PPP proponents are fully aware of the ESMS, including the policy, standards, and procedures;
- (iii) Serve as primary link on the safeguards screening, safeguards review and supervision;
- (iv) Advise the PPP Cell and RMU (as required) on emerging safeguards issues and risks and propose appropriate measures for addressing these issues and risks;
- (v) Serve as the grievance focal point and ensure that the grievance redress mechanism for the VGF supported subprojects;
- (vi) Sign and endorse the annual environmental and social performance report for submission to ADB, and ensure that ADB is notified if and when the responsible staff has been changed or replaced;
- (vii) Advise PPP Cell in reporting to the PPP Steering Committee on the status of safeguards implementation in projects and overall ESMS implementation;

- (viii) Work out a program for completing internal ESMS audits and undertaking corrective actions;
- (ix) Supervise the work and consolidate the inputs from the environment and social staff in the safeguards screening of proposals, and review of safeguards plans and discuss with PPP Cell;
- (x) Ensure that VGF supported subprojects are properly monitored in terms of compliance with the environmental and safeguards requirements;
- (xi) Ensure submission of semiannual environmental and social performance report to ADB; and assist PPP Cell in reporting any safeguards policy issues;
- (xii) Furnish the required information on the VGF to the ESMS auditor and provide support in the conduct of the audit.

2. Environment Specialist, PPP Cell

- (i) Support the finalization and implementation of the ESMS based on this ESMS arrangement.
- (ii) Support the conduct of training and provide technical advice on the ESMS to PPP Cell, RMU, PPP Nodes and other relevant staff of the Punjab Government;
- (iii) Coordinates with the PPP Cell Environment Specialist for the screening/categorization of subproject proposals for environmental impacts and climate change risks, and recommend further due diligence required for processing of the proposal;
- (iv) Inform the ESMS Focal on emerging environmental safeguards issues, risks and complaints and propose appropriate measures for addressing these;
- (v) Supervise the review of environmental assessment reports and plans, confirm compliance with Punjab EPA regulations and prepare due diligence report for category A/B projects
- (vi) For environment category A subprojects, facilitate the submission of the EIA for ADB review
- (vii) Review the annual environmental performance report for submission to ADB
- (viii) Proactively integrate environmental policies and safeguards into the PPP process;
- (ix) Provide support to PPP Cell in the review of PDF request for adequacy of environmental assessment costs;
- (x) Provide necessary advice to the PPP Cell on the relevant cost items in the proposal before submission of the proposal to the PPP Steering Committee.
- (xi) Review the environmental aspects of bid evaluation before submission to the PPP Steering Committee;
- (xii) Formally disclose safeguard documents to the project affected people and other relevant stakeholders and ensure disclosure of IEE/EIAs and environmental monitoring reports on the Punjab PPP website
- (xiii) Coordinate monitoring of the compliance of agreed mitigation measures by the relevant Government Agency and the contractor;
- (xiv) Track record of development and disclosure of periodic (normally biannual) Environmental Monitoring Reports as well as Corrective Action Plan(s), and submission of the same to the relevant authorities, including Punjab EPA, PPP Cell and ADB;
- (xv) Support in the Grievance Redress Mechanism set up at the PPP Cell and PPP Nodes levels; and
- (xvi) Report any violations of the environmental safeguards and recommend potential actions to ESMS Focal.

3. Resettlement and Indigenous Peoples Specialist, PPP Cell

- (i) Assist ESMS Focal in the finalization and implementation of the ESMS based on this ESMS arrangement.
- (ii) Assist in conducting safeguards capacity building and training needs assessment; support the conduct of training and provide technical advice on the ESMS to PPP Cell, PPP Nodes and relevant staff of the Punjab Government;
- (iii) Review the proposals that are earmarked for VGF support ensuring that the proposals have been screened for ADB's Prohibited Investment Activities List (PIAL, Appendix 5) and social protection, social development and gender perspective. all subprojects coming under PIAL will not be eligible for ADB's financing (VGF support);
- (iv) Review the responsiveness of safeguard documents with SPS, ESMS or any gaps in the documents and advise appropriate actions to address the gaps;
- (v) Review social monitoring reports ensuring that social safeguard provisions of LARPs and ESMS are fully implemented and complied with;
- (vi) For IR category A subprojects, ensure the submission of the LARP for ADB review and approval.
- (vii) Review the annual social performance report for submission to ADB;
- (viii) Provide support to the PPP Nodes during the LARP review process;
- (ix) Ensure disclosure of LARPs and social monitoring reports to DPs and other relevant stakeholders and at Punjab PPP Cell's website;
- (x) Track record of development and disclosure of periodic (normally biannual) Social Monitoring Reports as well as any Corrective Action Plan(s), and circulate to PPP cell and ADB;
- (xi) Report any violations of the social safeguards and recommend potential actions to ESMS Focal;
- (xii) Support in the Grievance Redress Mechanism set up at the PPP Cell; and
- (xiii) Oversee the implementation and monitoring of gender-related actions.

Selected PPP Nodes

4. Environment Specialist(s), PPP Nodes

44. Perform the following tasks in relation to VGF supported subprojects and PDF supported proposals:

- (i) Build the environmental safeguards capacity in the PPP Nodes;
- (ii) Support the finalization of the ESMS based on this ESMS arrangement.
- (iii) Support the conduct of training and provide technical advice on the ESMS for PPP Nodes and relevant staff of the Punjab Government
- (iv) Coordinate with the Environment Specialist in PPP Cell for the screening/categorization of subproject proposals for environmental impacts and climate change risks, and recommend further due diligence required for processing of the proposal;
- (v) Forward all sub-project screening checklists: including REA checklists, sub-project descriptions and draft categorization to ADB environment safeguards specialist for final categorization of all sub-projects;
- (vi) Inform PPP Cell on emerging environmental safeguards issues, risks and complaints and propose appropriate measures for addressing these;
- (vii) Prepare the Terms of Reference (ToR) of the environmental impact assessment consultant;

- (viii) If the sub-project is categorized as environment category A ensure that International EIA firm is hired for EIA purposes;
- (ix) If sub-project is categorized as environment category B, ensure that GoPb environment protection Act 2012 and environmental assessment and review guidelines are followed;
- (x) Supervise the review of environmental assessment reports (both category A and B) and plans, confirm compliance with PEPA regulations and prepare due diligence report for category A/B projects;
- (xi) For environment category A subprojects, after preliminary review, facilitate the submission of the EIA for ADB review and approval;
- (xii) Review the annual environmental monitoring report on the performance project for submission to the PPP Cell (which will then be forwarded to ADB) for all category B sub-projects, and bi-annually for category A sub-projects;
- (xiii) Proactively integrate environmental policies and safeguards into the PPP process;
- (xiv) Review the PDF request for adequacy of environmental assessment costs;
- (xv) Build environmental safeguards implementation capacity in the PPP Nodes;
- (xvi) Provide support to the PPP Nodes during the environmental assessment and review process in cases where feasibility studies are being prepared at the nodes;
- (xvii) Provide necessary advice to the PPP Node on the relevant cost items in the proposal before submission of the proposal to the PPP Steering Committee, through the PPP Cell.
- (xviii) Review the environmental aspects of bid evaluation before submission to the PPP Steering Committee, through the PPP Cell;
- (xix) Formally disclose safeguard documents to the project affected people and other relevant stakeholders and ensure disclosure of IEE/EIAs and environmental monitoring reports on the Punjab PPP website as required by PEPA regulations and ADB SPS 2009;
- (xx) Coordinate monitoring of the compliance of agreed mitigation measures by the relevant Government Agency and the contractor;
- (xxi) Track record of development and disclosure of biannual Environmental Monitoring Reports as well as Corrective Action Plan(s), and submission of the same to the relevant authorities, including Punjab EPA and PPP Cell;
- (xxii) Report any violations of the environmental safeguards and recommend potential actions to the PPP Cell; and
- (xxiii) Support the PPP Cell in the Grievance Redress Mechanism.

5. Resettlement and Indigenous Peoples Specialist(s), PPP Nodes

45. Perform the following tasks in relation to VGF supported subprojects and PDF supported proposals:

- (i) Screen subproject proposals (that are marked for VGF support) for IR/IP impacts and for ADB's Prohibited Investment Activities List (PIAL, Appendix 5) and assist with IR/IP categorization and further impacts assessment as needed; all subprojects coming under PIAL will not be eligible for ADB's financing (VGF support);
- (ii) Assist in preparation of social due diligence reports, LARPs, and IPPs for category A/B projects and seek ADB's approval;
- (iii) Review concession agreements for any provisions related to the social safeguards and ensure that these are clearly reflected in LARPs/IPP;

- (iv) Assist in conducting meaningful consultations and disclose project information, LARPs, IPPs and any Corrective Action Plans (CAP) with key stakeholders and displaced persons;
- (v) Advise proponents on the disclosure of LARPs and social monitoring reports
- (vi) Conduct field visits and monitor implementation of LARPs/IPP/CAP; prepare and disclose the internal monitoring reports on a quarterly basis and submit to RMU;
- (vii) Prepare the annual social performance report of subprojects with VGF support for submission to the PPP Cell;
- (viii) Monitor compliance of agreed mitigation measures by the relevant Government Agency;
- (ix) Undertake capacity building of PPP Nodes in planning and implementing the social safeguards and gender-related actions in projects;
- (x) Report any violations of social safeguards and emerging issues and complaints to concerned line department (PPP node) and PPP cell with corrective actions needed to address the deviations or violations;
- (xi) Support in (a) overseeing the implementation and monitoring of gender-related actions described in the SPRSS; (b) capacity building of PPP Node in planning and implementing gender-related actions in projects; and (c) reviewing proposals submitted by proponents from social protection, social development and gender perspective.

6. Transaction Advisor, PPP Nodes

46. At the PPP Nodes, in some cases Transaction Advisor will be hired given the complex nature of PPP project development and structuring, and tendering process. The Transaction Advisor would undertake the feasibility study, including the environmental assessment for potential impacts of the proposed project. It is important that the team deputed by the Transaction Advisor includes a well-qualified EIA Expert to undertake the environmental assessment. Since each environmental assessment requires a different sectoral experience, the terms of reference for the assessment will have to be developed according to the project specifications. However, to provide an orientation to the relevant staff in the PPP Nodes, a generic outline of the terms of reference for the environmental assessment has been provided at Appendix 4 which will be helpful in developing the sector specific terms of reference for environmental assessment of the proposed project.

E. Capacity Building/Training

47. The proposed loan will be accompanied by a transaction technical assistance (TRTA) to address skill and resource gaps in the relevant government agencies. The scope of the TRTA are detailed in the Technical Assistance Report.²

² ADB. 2017. *Technical Assistance to the Islamic Republic of Pakistan for Enhancing Public-Private Partnerships in Punjab*. Manila.

IV. ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS

A. Policy

48. The PPP Cell continually endeavor to ensure and enhance effective environmental and social management practices in all their activities, products, and services with a special focus on the following:

- (i) Ensuring that applicable environmental and social safeguard requirements, as defined in Section IV(B) are met for all VGF-supported subprojects;
- (ii) Financing subprojects only when they are expected to be designed, constructed, operated, and maintained in a manner consistent with applicable environmental and social safeguard requirements, as defined in Section IV(B);
- (iii) Integrating environmental and social risks into their internal risk management analysis;
- (iv) Ensuring appropriate consultation and transparency in VGF-supported subproject activities;
- (v) Working together with subproject PPP Nodes and proponents to put into practice applicable environmental and social safeguard requirements; and
- (vi) Promoting subprojects with environmental and social benefits.

49. This policy will be communicated to all PPP Cell, RMU, and PPP Nodes staff and operational employees.

B. Applicable Environmental, Social Safeguard and Social Protection Requirements

50. The PPP Cell will ensure that:

- (i) All subprojects comply with PAK national regulations and Punjab provincial regulations.
- (ii) All subproject proposals using ADB funds are screened against the Prohibited Investment Activities List (PIAL) of the ADB Safeguard Policy Statement (Appendix 5);
- (iii) All subprojects using ADB funds are prohibited for investments falling (1) in the Environmental Exclusion Checklist based on ADB's Rapid Environmental Assessment (REA) Checklist (Appendix6); (2) in mining activities, (3) in activities involving genetically modified organisms.
- (iv) All subproject proposals are screened and categorized for IR and IP impacts and risks (Appendix 7) and corresponding plans are prepared, reviewed, implemented and monitored following the policies and principles in this ESMS (Appendix 1b and 1c)
- (v) All subproject proposals with potential significant environmental and/or social impacts are reviewed and evaluated against the ADB safeguards requirements and procedures as described in its Safeguard Policy Statement (2009) and submitted to ADB for prior review.

V. ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES

51. These procedures are based on the Country Safeguard System (applicable to the Punjab Province) and safeguard policy principles and performance standards defined by ADB (Appendix 1a, 1b, and 1c).

A. Screening and Categorization

52. As envisaged by the Punjab PPP Act (2014) and the Policy (2009), any government agency (a department, attached department, body corporate, autonomous body of the Government, local government or any organization or corporation owned or controlled by the Government) can identify a project to be developed and implemented under any of the PPP arrangement. The PPP Node will clearly be made responsible for taking lead in conceptualizing and processing the project idea.

53. The first screening for eligibility of a subproject will be based on ADB's Prohibited Investment Activities List (PIAL). The PPP Cell will apply ADB's PIAL. If the subproject involves a prohibited activity, the subproject's owner will be informed that the subproject will not be considered.

54. Once it is confirmed that the project is not in ADB's PIAL, the PPP Cell will work with the subproject owners to make a rapid assessment of the likely environmental and social impacts based on ADB requirements as described in ADB SPS 2009 and the relevant sectoral REA checklists.³ The Environmental Exclusion Checklist (Appendix 6) and the Social Safeguard Screening Checklist (Appendix 7) are designed to help the PPP Cell and PPP Nodes determine the significance of potential environmental and/or social impacts associated with the subproject.

55. Once the checklists and the verification work are reviewed by the PPP Cell, the PPP Node, in consultation with the Environment Specialist in the PPP Cell, will tentatively categorize the project idea based on its nature and anticipated environmental effects. The subproject will be classified as one of the following categories:

Table 1: Safeguards Categorization

Category	Environment	Involuntary Resettlement	Indigenous People
A	likely to have significant adverse environmental impacts that are irreversible, diverse or unprecedented (projects listed in PEPA Schedule II)	200 or more people will experience major IR impacts defined as (i) being physically displaced from housing or (ii) losing 10% or more of productive assets (income generating)	Likely to have significant adverse impacts on indigenous people that directly and indirectly affect their dignity, communal rights, livelihood systems or culture, access to territories or natural or cultural resources, socioeconomic status, education and health.
B	impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects (projects listed in PEPA Schedule I)	Less than 200 people will experience major IR impacts (as defined above)	IPs are the sole or overwhelming majority of project beneficiaries and when only positive impacts are identified
C	minimal or no adverse environmental impacts	No IR impacts whatsoever	No IP impacts whatsoever

³ ADB. 2003. *Environmental Assessment Guidelines*. Available at <https://www.adb.org/sites/default/files/institutional-document/32635/files/environmental-assessment-guidelines.pdf>

Table 2: Safeguard Requirements

Category (Risk Rating)	Safeguards Requirements	Environmental Safeguards	Involuntary Resettlement Safeguards	Indigenous Peoples Safeguards*
Category A (with potential significant impacts)	ADB SPS 2009	Environmental Impact Assessment (EIA)	Land Acquisition and Resettlement Plan (LARP)	Indigenous Peoples Plan (IPP)
Category B (with less significant impacts)	Pakistan Legal requirements for Environment and Resettlement/ land acquisition ⁴)	Initial Environmental Examination (IEE)	Land Acquisition and Resettlement Plan (LARP)	Summary note on IP in the detailed subproject report (DSPR)
Category C (with minimal or no impacts)	No requirement	No safeguard document required.	No safeguard document required.	No safeguard document required.

* In case IPs will experience IR impacts, a combined RP/IPP may also be prepared.

56. On this basis, the PPP Cell will screen the subproject for the applicable environmental safeguard requirements for that subproject. The requirements are stipulated by the relevant PAK national regulations. The PPP Cell will assure that the subproject owners are fully aware of the applicable requirements.

57. In case of an unsolicited proposal from the private sector, the proponent will have to follow the same environmental protocol as if the project has been proposed by a Government Agency.

58. The **PPP Cell** will conduct an initial rapid desk-based climate change risk screening for the project using the attached checklist (Appendix 14) to identify if the project is categorized as 'Low', 'Medium', or 'High' risk from the impacts of climate change. The scope of the screen does not include the project's contribution (e.g. greenhouse gas emissions) to climate change. If a project is screened as 'Medium' or 'High' risk, the **PPP Cell with support from the PPP Nodes** will undertake a further analysis as part of due diligence to assess the climate change risks to the project and identify appropriate and feasible adaptation options. This should be documented in 1-2 pages in the attached Climate Risk Assessment and Management Report (Appendix 15). This report may optionally include a discussion on the project's contribution to climate change mitigation.

B. Due Diligence

59. The PPP Cell with support from the PPP Nodes will ensure and validate whether or not it needs land acquisition, or generate impacts on DPs/IP communities. For all subprojects, the PPP Cell (supported by the PPP Nodes) shall ensure that necessary environmental certificates are submitted, as well as to conduct site visits and then submit due diligence brief note and keep it in the sub-project files. The subproject owner must provide all requested information to the PPP Cell, and should be able to demonstrate responsiveness with regard to the applicable environmental and social safeguard requirements. A suggested outline of a due diligence brief note is provided in Appendix 11.

60. The PPP Cell will ensure that all investment agreements for subprojects contain adequate environmental and social protection covenants requiring, among other things, that sub-borrowers comply with: (a) all applicable laws and regulations of Pakistan relating to environment; (b) the

⁴ For social safeguards, measures for addressing gaps in standards as per paragraph 21 of this ESMS still apply.

SPS; (c) core labor standards and the applicable laws and regulations of Pakistan, including, but not limited to, the requirements relating to (i) workplace occupational safety norms; (ii) no use of child labor; (iii) no discrimination against workers in respect of employment and occupation; and (iv) no use of forced labor. The PPP Cell will further ensure that the workers engaged by these sub-borrowers for the subprojects are not restricted from developing legally permissible means of expressing their grievances and protecting their rights regarding conditions and terms of employment.

C. Project Prioritization and Approval

61. The PPP Cell will review the viability of the identified project in the context of its relevance to peoples' need, government's priorities and long term development plans and environmental and social risks. At this stage, the 'no-project' option will also be evaluated to avoid undue environmental and social risks. The identified project will be presented to the PPP Steering Committee only after having full cognizance of the environmental and social risks and offsetting costs.

D. Submission, Review and Approval of PDF Request

62. The PPP Node will include the cost of environmental assessment (as per the project category) and resettlement plan preparation in the PDF request. For this, the PPP Node with the assistance from the Safeguards Specialist, PPP Node (Environment) will develop draft TOR for IEE/EIA in consultation with the Safeguards Specialist (Environment), the PPP Cell to estimate scope and costs of IEE/EIA. During the review process, the Safeguards Specialist (Environment), the PPP Cell will carefully review the adequacy of environmental assessment costs as to be sufficient for undertaking entire environmental assessment, review and management process. The approval of PDF request by the PPP Steering Committee will also clearly identify the budget approved for environmental assessment to underline the importance of environmental assessment. Similarly, the PPP Node with the assistance from the Safeguards Specialist, PPP Node (Resettlement and Indigenous People) review the cost requirement for the preparation and implementation of the resettlement plan, if required.

E. Feasibility Development, Environmental Assessment, Social Impact Assessment and Social Safeguards Plan Preparation

63. Once the budgetary allocations are made, through PDF or otherwise, the Transaction Advisor will be hired to develop the feasibility and facilitate the transaction execution. The PPP Node will hire an EIA expert to be part of the Transaction Advisor team. The specific terms of reference for the EIA expert will be developed by the PPP Node with assistance from the Safeguards Specialist (Environment), PPP Node, and with the final approval of the ESMS Focal, RMU and the relevant cost will be factored in the Transaction Advisor's budget throughout the project preparation and transaction execution process.

64. For PPP proposals with IR/IP impacts, the Safeguards Specialist (Resettlement and Indigenous Peoples), PPP Node will assist the proponent in preparing the social safeguards plan (RP/IPP), as required. With regard to resettlement plans, preparation will follow the LAA process, starting with the notification of Section 4 which will also be used as the cut-off date for entitlement for resettlement assistance and compensation for affected assets.

65. As a mandatory element of the feasibility development exercise, the EIA Expert will undertake the environmental assessment⁵ as required according to the project category. In this regard, following from Table 1, if the sub-project is category A the ADB SPS requirements will be followed, however, if it is category B, national environmental procedures will be followed.

1. Environmental Assessment Process for Category A Sub-Projects

- (i) Once the categorization is agreed to by ADB, the Terms of Reference for EIA will be prepared by Environment Specialist PPP Cell, these will be shared with ADB, after vetting by the environment and social firm;
- (ii) The ADB Team will be consulted on selection of EIA Consultant, with international consultants as part of the team, or the firm should have international experience in conducting EIAs;
- (iii) The EIA will be prepared to meet ADB SPS requirements and standards. The EIA will be prepared in consultation and under the supervision and review of the environment and social firm;
- (iv) The EIA report will be shared with ADB for final review, approval and disclosure on ADB website.

66. At the same time, the EIA report will be submitted to the Punjab EPA for seeking environmental approval. All other requirements of PEPA will also be followed as. The Punjab EPA NOC will also be shared with ADB.

2. Environmental Assessment Process for Category B Sub-Projects

67. Though comprehensively elaborated in the Pakistan Environmental Assessment Procedures,⁶ the environmental assessment process will adhere to the following guidelines:

- *Guidelines for the Preparation and Review of Environmental Reports, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Guidelines for Public Consultation, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Guidelines for Sensitive and Critical Areas, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.

68. The environmental assessment has to be undertaken in close coordination with other assessments on technical and financial viability, bankability, affordability and sustainability being made simultaneously. These all assessments will be submitted to the PPP Cell in the form of the feasibility study for review, and onward submission to the PPP Steering Committee for approval.

F. Review and Approval of Category A Projects Environmental Assessment by ADB

- (i) The EIA will be reviewed by the Environment and Social specialists, and cleared by ESMS Focal, PPP Cell for submission to EPA;

⁵ Environmental Assessment is defined as a process of evaluating a project's potential environmental risks and impacts in its area of influence; examining project alternatives; identifying ways of improving project selection, siting, planning, design, and implementation by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts. It also includes the process of mitigating and managing adverse environmental impacts throughout project implementation (WB OP 4.01).

⁶ Pakistan Environmental Protection Agency, 1997. *Pakistan Environmental Assessment Procedures*. Islamabad: Pak EPA, Government of Pakistan.

- (ii) The EIA will be required to meet ADB quality standards as specified in ADB SPS 2009.
- (iii) Once the EIA is considered compliant with ADB policy and procedures on environmental safeguards it will be forwarded to ADB for final review and approval from ADB Central West Asia Department.
- (iv) ADB will then follow its internal approval requirements and the report will be shared for review, comments and final approval to ADB SDCC.
- (v) The EIA, once in acceptable form and quality will be disclosed on the ADB website for a period of 120 days before the sub-project funds can be released by the PPP Cell.

G. Review and Approval of Category B Environmental Assessment by Punjab EPA

69. The review and approval process of the environmental assessment entails the following:
- (i) The Punjab EPA will scrutinize the environmental assessment report for its completeness within 15 days of submission and may require additional information.
 - (ii) The Punjab EPA will arrange a public hearing of the relevant stakeholders through public notice in the national and local newspapers as well as website regarding the date, time and venue of public hearing on the EIA report. The notice period will not be less than 15 days and during this period, copies of the EIA report will be made available at the EPA offices as well as offices of the proponent, i.e., relevant PPP Node or the potential concessionaire in case of unsolicited proposal. The video evidence of the Public Hearing is mandatory to be submitted by the proponent under Regulation 13(1) of the Punjab EPA Review of IEE/EIA Regulations, 2014. However, public hearing is not mandatory for IEE or EC.
 - (iii) The Punjab EPA will also circulate the EIA, IEE or EC to the concerned Government Agencies and solicit their comments which will be collated, tabulated and duly considered by it before decision on the EIA, IEE or EC.
 - (iv) The Punjab EPA will commission review and/or field visit of the proposed project site to its staff or a committee of experts.
 - (v) Once the review and feedback process is complete, the Punjab EPA will communicate its approval of EIA, IEE or EC along with conditions of approval, or otherwise to the proponent – the PPP Node in most cases but the potential concessionaire in case of unsolicited proposal.
 - (vi) Upon receiving the environmental approval with conditions, the proponent will acknowledge acceptance of the stipulated conditions through an undertaking⁷ before commencing construction or operations of the project. The proponent will request to the Punjab EPA for confirmation of compliance accompanied by an Environmental Management Plan indicating the measures and procedures proposed to be taken to manage or mitigate the environmental impacts for the life of the project, including provisions for monitoring, reporting and auditing. The Punjab EPA will issue the requisite confirmation of compliance, ideally within 20 days, and may impose some other conditions regarding the Environmental Management Plan, operation, maintenance and monitoring of the project. Since, in most cases, the EMP is submitted along with the environmental assessment report, and the environmental approval includes conditions to be met with regard to EMP, this step is merely procedural.

⁷ As per the Schedule VIII of the Sindh EPA Review of IEE & EIA Regulations, 2014.

- (vii) The Punjab EPA is bound to complete the review of an Environmental Checklist with 30 days, of an IEE within 60 days and of an EIA within four months days from the date of confirmation of completeness. If a decision on the environmental assessment report is not made and communicated to the proponent within these deadlines, the same would be deemed approved.

70. Although the provincial legislation requires submission of environmental assessment and its approval before commencing construction or operation, the early submission of environmental assessment to the Punjab EPA and its review will enable the PPP Nodes and the PPP Cell to make appropriate changes in the design and/or budget of the proposed project. Once the project is structured, its baseline is set and it enters into bidding process, any changes in the design and/or budget will become extremely difficult. Hence, the environmental assessment will be put through the review and approval process at an early stage before seeking approval of the proposed project by the PPP Steering Committee.

H. Review and Approval of Feasibility Study

71. The PPP Cell and RMU review the feasibility study for financial as well as technical viability including that in terms of environmental and social sustainability. The Environment Specialist, PPP Cell will carefully review the approved EIA, IEE or EC along with the Environmental Management Plan, and the Environmental Approval for compliance monitoring and reporting.

72. In case of an unsolicited proposal, the proponent (potential concessionaire) will be responsible for submission of EIA, IEE or EC to the Punjab EPA and follow all the steps elaborated above for the PPP Node. An unsolicited proposal will be submitted to the Government Agency along with the environmental approval.

73. While reviewing the financial viability and making the risk assessment of the proposal, the financial risks involved due to adverse environmental impacts and cost of mitigation measures will be carefully looked into. The ESMS Focal, PPP Cell will make sure that all environmental management and compensatory costs are adequately budgeted in the feasibility study. The Safeguards Specialist (Environment), PPP Cell will provide support and necessary advice if the relevant cost items are included in the proposal.

74. The Safeguards Specialist (Resettlement & Indigenous Peoples), PPP Node with will forward the resettlement plans and IPPs to the ESMS Focal, PPP Cell for review and validation. Social safeguards plans that meet the quality and policy requirements for further processing. Proposals with significant IR/IP impacts will be endorsed to ADB for further review prior to further processing.

I. Market Sounding

75. While preliminarily marketing the project and discussing the PPP project structure with the potential investors to get early feedback from the market, the process and results of the environmental and social assessments will be made part of the information memorandum. This would enable the interested investors to understand the environmental risks and cost of environmental management. The same would be helpful in gaining confidence of the potential international and domestic lenders from the “bankability” perspective as they would be able to see what environmental policy principles and safeguards have already been adhered to.

J. Pre-Qualification of Parties

76. While pre-qualifying the credible prospective bidders with appropriate experience, a proven track record and necessary annual turnover, it is important that their environmental and social development performance is also considered as one of the pre-qualifying criteria. The experience of environmental management in similar projects and preferably an environmental certification, such as ISO-14001, will be given weight in evaluating the firms' suitability for the project. The EIA Expert in the TA team will be responsible for making such evaluation.

77. In this regard, the pre-qualification document will clearly mention environmental credibility as one of the selection criteria and will require the prospective bidders to submit their environmental and social development credentials as part of the Application. Following either of the pass/fail or scoring method, the environmental and social development performance will remain a key determinant for the pre-qualification.

K. Bid Flotation and Evaluation

78. The bid documents to be issued to the pre-qualified bidders will clearly mention the environmental and social safeguard processes completed during the feasibility study and to be carried out by the private party. The bidders will be conscious of the environmental risks, impacts and associated costs so that there is no backtracking on the environmental management resulting into unaddressed adverse environmental impacts of the project. The bids should include the cost of environmental management and environmental monitoring reflected separately and the staffing, i.e., environmental specialist to implement the EMP and EIA/IEE/EC requirements.

79. The soundness of the strategy proposed to implement the Environmental Management Plan will be one of the key criteria for acceptance of the bid. The EIA Expert in the TA team should be assigned to review this strategy. The bidder will also be flagged about possible need to comply with Equator Principles, WB/IFC Performance Standards, WB/IFC EHS Guidelines and ADB Safeguard Requirements for Environment, as applicable to the proposed project.

L. Review of Bid Evaluation

80. The bid evaluation report compiled by the PPP Node is submitted to the PPP Steering Committee through the PPP Cell. At this stage, the PPP Cell, exercises quality control to ensure that the due process has been completed in a transparent manner in accordance with PPP Act (2014) and PPP Policy (2009). The ESMS Focal, PPP Cell will look into the environmental aspects of the bid evaluation and ensure that all safeguard requirements in terms of staff and costing stated in the EIA/IEE/EC and EMP have been adhered to for making it a bankable proposal.

M. Approval of Contract Award

81. The PPP Steering, which is the final competent forum to accept, reject or defer a bid, will satisfy itself if the environmental safeguards have been complied during all stages of the project development and transaction execution. Proposals involving IR impacts will require the substantial implementation of the resettlement plan as verified/documentated in a resettlement monitoring report prior to approval of contract award. Proposals with significant IR impacts will also require the verification from an external monitor. Submission of semi-annual social monitoring report will be required until the completion of the resettlement plan implementation, including the temporary land acquisition during subproject construction and restoration of temporarily used land after construction.

N. Contract Negotiation and Signing

82. The contract for project implementation will clearly underline the conditions of fulfilling all environmental management requirements and complying with the environmental safeguards prescribed in the law for the project implementation phase. The ESMS Focal, PPP Cell may be one of the members of the negotiating team. The Environmental Approval along with the Environmental Management Plan and any other relevant documents or undertakings will become part of the contract.

83. At the financial closure stage, in addition to the contractual obligations with the Government to comply with all environmental safeguards and implement the EMP in best of its letter and spirit, the bidder will be covenanted in the financing documentation to comply with the environmental safeguard policy principles or performance standards, whatever the case may be.

84. Since validity period of the environmental approval is up to three years from the date of issue (extended up to further three years if the construction/operations started within the initial three years period), the proponent will have to apply for extension in the environmental approval validity if the project implementation continues beyond this validity period. In such case, the proponent will repeat the public consultation process with the affected communities to apprise them of the changes in the project. The proponent may also be required to submit a fresh IEE or EIA, if the changes in location, design, construction and operation of the project warrant so.

O. Compliance Monitoring and Reporting

1. Punjab EPA requirements

85. Once the project implementation starts, monitoring of EMP implementation will start according to the monitoring plan given within the EMP. The ESMS Focal, PPP Cell will monitor the EMP compliance according to set performance indicators in the EMP. Given financial institutions' involvement through financial closure, an independent audit for environmental safeguard compliance may also be required. The costs of monitoring and reporting requirements will be reflected in the project budgets.

86. As per the Punjab EPA Review of IEE & EIA Regulations, 2016, the proponent will be required to submit an annual monitoring report to the Punjab EPA summarizing operational performance of the project with reference to the conditions of environmental approval, and maintenance and mitigation measures adopted by the project. In close coordination of the PPP Node, the respective Project Implementation Unit or the Project Manager within the PPP Node will be responsible for monitoring and preparing the monitoring report. However, this responsibility may also be shifted to the concessionaire through inclusion in its Operation and Management Plan. The same will be submitted by the PPP Node to the PPP Cell, the Punjab EPA and the donors, as under their respective policies on safeguards.

87. If at any stage of the project implementation, the Punjab EPA feels that the EMP is not being complied with, it can issue notice to the proponent; and if remains unsatisfied, can cancel the environmental approval. The proponent will also submit a project completion report to the Punjab EPA at the completion of construction of the project. Additional reporting requirements may also apply in case of industrial units listed under the Punjab Environmental Quality Standards (Self-Monitoring & Reporting by Industry) Rules, 2016.

88. During the project implementation, the Punjab EPA will inspect and monitor the EMP implementation and compliance through its authorized staff or any other arrangement, as provided under Section 19 of the Punjab Environmental Protection Act, 2016. The Punjab EPA may also require the PPP Node to submit an environmental audit or environmental review report comparing the actual environmental impacts of the project with those anticipated in the EIA/IEE/EC earlier approved by the Punjab EPA.

89. The PPP Node will also submit semiannual Environmental Monitoring Reports to the PPP Cell, which would be reviewed by the Safeguards Specialist (Environment), RMU who would formally convey to the PPP Node if there are any concerns regarding EMP implementation.

90. Based on the Environmental Monitoring Reports, the Safeguards Specialist (Environment), PPP Cell will get the Corrective Action Plan(s) developed and approved by the ESMS Focal, PPP Cell to address any unanticipated adverse environmental impacts surfacing during the project implementation. These CAPs will also be implemented and monitored in the same manner as for the EMP.

91. Once the contract is signed, the environmental assessment report and the Environmental Management Plan will be publicly disclosed through PPP Cell website so that all stakeholders and affected persons can be vigilant of the project implementation accordingly. The Environmental Monitoring Reports and any Corrective Action Plans will also be disclosed in the same manner.

2. ADB requirements

92. After a subproject is approved, the PPP Cell will (i) communicate with the subproject owners and coordinate with the PPP Node to confirm on a quarterly basis that the subproject owner is undertaking the obligations of compliance with all applicable environmental safeguard requirements; (ii) get copies of monitoring reports that the subproject owners submit to the local environmental authorities, and (iii) conduct site visits and prepare site inspection reports.

93. All permits and reports prepared are required to be kept by the PPP Cell in a track record system; PPP Cell will promptly report to ADB any actual or potential breach of the compliance requirements after becoming aware of it. The PPP Cell will visit the site to monitor the compliance with national regulations or to make sure that discharge permit monitoring reports are submitted.

94. Environmental and social (ES) performance of subprojects will be evaluated by the PPP Cell annually. The benchmark for performance will be the ongoing compliance against the applicable environmental and social safeguard national requirements. PPP Cell will ensure that the owner of subprojects prepares and submits a discharge permit. Based on these reports and the quarterly site visits, the PPP Cell will review and assess the subproject's environmental and social safeguard performance. The ESS Consultant will also conduct environment audits for high risk subprojects on a periodical basis or on any other subprojects as needed.

95. Based on the subproject's environmental and social safeguard performance, the PPP Cell will consolidate in an annual ES performance report (outline to be provided at a later date). The ESS Consultant will assist the PPP Cell in ensuring the quality of the report.

96. ADB requires that disclosure is “in a timely manner, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. For illiterate people, other suitable communication methods may be used.”⁸

P. Grievance Redress Mechanism and Public Relations

97. The PPP Cell will set up a Grievance Redress Mechanism (GRM) to receive and facilitate resolution of affected peoples’ concerns, complaints, and grievances in relation with the EMP compliance, and will publicly notify it through its website and/or other channels.

98. The safeguard compliance with ADB’s SPS 2009 is subject to the ADB Accountability Mechanism Policy 2012. The PPP Cell will keep records of the following:

- (i) Complaints, grievances, or protests received from local communities, recording dates and organizations involved, actions taken to resolve grievances, any outstanding issues, and proposed measures for resolution;
- (ii) Details of information disclosure and consultations, if any, with affected people, local communities, civil society groups, and other stakeholders; and
- (iii) Details of approach/methodology on addressing the concerns and issues raised at consultations.

99. The PPP Cell will ensure that all investment agreements for subprojects contain provisions enabling: (a) ADB's representatives to inspect the subprojects and any relevant records and documents; and (b) ADB, in case of any breach, to require sub-borrowers to bring the subprojects into compliance with all applicable laws and regulations of Pakistan and the SPS."

100. The GRM will be understandable and transparent, gender responsive and culturally appropriate, and readily accessible to all segments of the affected people at no costs and without fear of retribution. The PPP Cell will serve as focal point for the GRM. In addition to the GRM approved and notified by the PPP Steering Committee, the complainant may also approach the Environmental Protection Tribunal, established under Section 20 of the Punjab Environmental Protection Act, 2012 and the Punjab Environmental Tribunal Rules, 1999. If still the grievance remains unaddressed, the complainant may directly approach the Green Bench of the High Court of Punjab.

Q. ESMS Audit Scope and Procedure

101. The VGF will be subjected to an annual independent auditing of its ESMS that will include (a) an assessment of the PPP Cell’s ability to manage and address all relevant social and environmental risks and impacts of its business and operations, in particular, the issues identified in ADB’s safeguard requirements; (b) a review of compliance record with applicable laws and regulations in Pakistan related to environmental and social matters, and (c) identification of the VGF’s and its main stakeholder groups and current stakeholder engagement activities. The audit will cover both the ESMS in the PPP Cell and selected subprojects for their implementation compliance to safeguard requirements.

102. External and independent resource persons will be identified as ESMS auditors and will undertake this audit. The ESMS auditors will have the experience to do both management systems audits as well as audits of investment projects. Resource persons either as individuals

⁸ Asian Development Bank, 2009. *Safeguard Policy Statement*. Available at <http://www.adb.org/site/safeguards/policy-statement>.

or agencies certified as auditors by reputed accreditation bodies will be employed. PDRMF will ensure that the audit team has a good mix of both auditing and subject knowledge/experience on both environment and social safeguards.

103. The PPP Cell will furnish required information on their activities to the auditor and provide proper support and cooperation in the conduct of the audit. All subprojects that are categorized to have high impacts will be covered in these audits as long as disbursements have been made in the current or the previous year. Approximately 25% of other subprojects will be selected, and will necessarily include at least one subproject from different subproject types.

104. ESMS auditors will submit an audit report for PPP Cell for follow-up. The PPP Steering Committee will agree on the follow-up action for each of the audit findings and agree on a timeframe to implement the follow-up actions.

APPENDIX 1A: ADB ENVIRONMENTAL SAFEGUARDS POLICY OBJECTIVES, SCOPE AND TRIGGERS AND PRINCIPLES¹

Objectives: To ensure the environmental soundness and sustainability of projects and to support the integration of environmental considerations into the project decision-making process.

Scope and Triggers: Environmental safeguards are triggered if a project is likely to have potential environmental risks and impacts.

Policy Principles:

1. Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment so that appropriate studies are undertaken commensurate with the significance of potential impacts and risks.
2. Conduct an environmental assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the project's area of influence. Assess potential transboundary and global impacts, including climate change. Use strategic environmental assessment where appropriate.
3. Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.
4. Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of environmental planning and management. Prepare an environmental management plan (EMP) that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for EMP preparation include mitigation of potential adverse impacts to the level of no significant harm to third parties, and the polluter pays principle.
5. Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned nongovernment organizations, early in the project preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment. Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.
6. Disclose a draft environmental assessment (including the EMP) in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment, and its updates if any, to affected people and other stakeholders.

¹ Asian Development Bank, 2009. *Safeguard Policy Statement*. Available at <http://www.adb.org/site/safeguards/policy-statement>.

7. Implement the EMP and monitor its effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
8. Do not implement project activities in areas of critical habitats, unless (i) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (ii) there is no reduction in the population of any recognized endangered or critically endangered species, and (iii) any lesser impacts are mitigated. If a project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area. In an area of natural habitats, there must be no significant conversion or degradation, unless (i) alternatives are not available, (ii) the overall benefits from the project substantially outweigh the environmental costs, and (iii) any conversion or degradation is appropriately mitigated. Use a precautionary approach to the use, development, and management of renewable natural resources.
9. Apply pollution prevention and control technologies and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase-outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
10. Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.
11. Conserve physical cultural resources and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts during environmental assessment. Provide for the use of "chance find" procedures that include a pre-approved management and conservation approach for materials that may be discovered during project implementation.

APPENDIX 1B: ADB INVOLUNTARY RESETTLEMENT SAFEGUARDS POLICY OBJECTIVES, SCOPE AND TRIGGERS AND PRINCIPLES

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

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

Policy Principles:

1. Screen the project early on to identify past, present, and future involuntary resettlement impacts and risks. Determine the scope of resettlement planning through a survey and/or census of displaced persons, including a gender analysis, specifically related to resettlement impacts and risks.
2. Carry out meaningful consultations with affected persons, host communities, and concerned non-government organizations. Inform all displaced persons of their entitlements and resettlement options. Ensure their participation in planning, implementation, and monitoring and evaluation of resettlement programs. Pay particular attention to the needs of vulnerable groups, especially those below the poverty line, the landless, the elderly, women and children, and Indigenous Peoples, and those without legal title to land, and ensure their participation in consultations. Establish a grievance redress mechanism to receive and facilitate resolution of the affected persons' concerns. Support the social and cultural institutions of displaced persons and their host population. Where involuntary resettlement impacts and risks are highly complex and sensitive, compensation and resettlement decisions should be preceded by a social preparation phase.
3. Improve, or at least restore, the livelihoods of all displaced persons through (i) land-based resettlement strategies when affected livelihoods are land based where possible or cash compensation at replacement value for land when the loss of land does not undermine livelihoods, (ii) prompt replacement of assets with access to assets of equal or higher value, (iii) prompt compensation at full replacement cost for assets that cannot be restored, and (iv) additional revenues and services through benefit sharing schemes where possible.
4. Provide physically and economically displaced persons with needed assistance, including the following: (i) if there is relocation, secured tenure to relocation land, better housing at resettlement sites with comparable access to employment and production opportunities, integration of resettled persons economically and socially into their host communities, and extension of project benefits to host communities; (ii) transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities; and (iii) civic infrastructure and community services, as required.
5. Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards. In rural areas provide them with legal

and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.

6. Develop procedures in a transparent, consistent, and equitable manner if land acquisition is through negotiated settlement to ensure that those people who enter into negotiated settlements will maintain the same or better income and livelihood status.

7. Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of non-land assets.

8. Prepare a resettlement plan elaborating on displaced persons' entitlements, the income and livelihood restoration strategy, institutional arrangements, monitoring and reporting framework, budget, and time-bound implementation schedule.

9. Disclose a draft resettlement plan, including documentation of the consultation process in a timely manner, before project appraisal, in an accessible place and a form and language(s) understandable to affected persons and other stakeholders. Disclose the final resettlement plan and its updates to affected persons and other stakeholders.

10. Conceive and execute involuntary resettlement as part of a development project or program. Include the full costs of resettlement in the presentation of project's costs and benefits. For a project with significant involuntary resettlement impacts, consider implementing the involuntary resettlement component of the project as a stand-alone operation.

11. Pay compensation and provide other resettlement entitlements before physical or economic displacement. Implement the resettlement plan under close supervision throughout project implementation.

12. Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons, and whether the objectives of the resettlement plan have been achieved by taking into account the baseline conditions and the results of resettlement monitoring. Disclose monitoring reports.

APPENDIX 1C: ADB INDIGENOUS PEOPLES SAFEGUARDS POLICY OBJECTIVES, SCOPE AND TRIGGERS AND PRINCIPLES

Objectives: To design and implement projects in a way that fosters full respect for Indigenous Peoples' identity, dignity, human rights, livelihood systems, and cultural uniqueness as defined by the Indigenous Peoples themselves so that they (i) receive culturally appropriate social and economic benefits, (ii) do not suffer adverse impacts as a result of projects, and (iii) can participate actively in projects that affect them.

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

Policy Principles:

1. Screen early on to determine (i) whether Indigenous Peoples are present in, or have collective attachment to, the project area; and (ii) whether project impacts on Indigenous Peoples are likely.
2. Undertake a culturally appropriate and gender-sensitive social impact assessment or use similar methods to assess potential project impacts, both positive and adverse, on Indigenous Peoples. Give full consideration to options the affected Indigenous Peoples prefer in relation to the provision of project benefits and the design of mitigation measures. Identify social and economic benefits for affected Indigenous Peoples that are culturally appropriate and gender and inter-generationally inclusive and develop measures to avoid, minimize, and/or mitigate adverse impacts on Indigenous Peoples.
3. Undertake meaningful consultations with affected Indigenous Peoples communities and concerned Indigenous Peoples organizations to solicit their participation (i) in designing, implementing, and monitoring measures to avoid adverse impacts or, when avoidance is not possible, to minimize, mitigate, or compensate for such effects; and (ii) in tailoring project benefits for affected Indigenous Peoples communities in a culturally appropriate manner. To enhance Indigenous Peoples' active participation, projects affecting them will provide for culturally appropriate and gender inclusive capacity development. Establish a culturally appropriate and gender inclusive grievance mechanism to receive and facilitate resolution of the Indigenous Peoples' concerns.
4. Ascertain the consent of affected Indigenous Peoples communities to the following project activities: (i) commercial development of the cultural resources and knowledge of Indigenous

Peoples; (ii) physical displacement from traditional or customary lands; and (iii) commercial development of natural resources within customary lands under use that would impact the livelihoods or the cultural, ceremonial, or spiritual uses that define the identity and community of Indigenous Peoples. For the purposes of policy application, the consent of affected Indigenous Peoples communities refers to a collective expression by the affected Indigenous Peoples communities, through individuals and/or their recognized representatives, of broad community support for such project activities. Broad community support may exist even if some individuals or groups object to the project activities.

5. Avoid, to the maximum extent possible, any restricted access to and physical displacement from protected areas and natural resources. Where avoidance is not possible, ensure that the affected Indigenous Peoples communities participate in the design, implementation, and monitoring and evaluation of management arrangements for such areas and natural resources and that their benefits are equitably shared.

6. Prepare an Indigenous Peoples plan (IPP) that is based on the social impact assessment with the assistance of qualified and experienced experts and that draw on indigenous knowledge and participation by the affected Indigenous Peoples communities. The IPP includes a framework for continued consultation with the affected Indigenous Peoples communities during project implementation; specifies measures to ensure that Indigenous Peoples receive culturally appropriate benefits; identifies measures to avoid, minimize, mitigate, or compensate for any adverse project impacts; and includes culturally appropriate grievance procedures, monitoring and evaluation arrangements, and a budget and time-bound actions for implementing the planned measures.

7. Disclose a draft IPP, including documentation of the consultation process and the results of the social impact assessment in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected Indigenous Peoples communities and other stakeholders. The final IPP and its updates will also be disclosed to the affected Indigenous Peoples communities and other stakeholders.

8. Prepare an action plan for legal recognition of customary rights to lands and territories or ancestral domains when the project involves (i) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied, or (ii) involuntary acquisition of such lands.

9. Monitor implementation of the IPP using qualified and experienced experts; adopt a participatory monitoring approach, wherever possible; and assess whether the IPP's objective and desired outcome have been achieved, taking into account the baseline conditions and the results of IPP monitoring. Disclose monitoring reports.

APPENDIX 2: RELEVANT LAWS AND SYSTEMS

A. Environmental Safeguards Policies and Legislation

1. Pakistan in general, and Punjab in specific, has fairly reasonable Country Safeguard System¹.

2. In addition to the provincial legal framework, environmental safeguard policies, principles and protocols of IFIs and DFIs need to be complied with, especially if the private sector partner intends to approach these institutions for Project Finance or Project-Related Corporate Loans. However, there is an increasing willingness by the IFIs to use country safeguard systems to the extent possible, and build countries capacity in implementing their own environmental safeguards.

1. Punjab Environmental Protection (Amendment) Act, 2012

3. After the 18th Constitutional Amendment in the Constitution of Pakistan, the Federal Ministry of Environment was dissolved and the provinces were accorded jurisdiction over the environment. The EPA Punjab has formulated its own Act, the major content of which is the same as the PEPA, 1997. Minor amendments/changes have been made, as follows:

- (i) The name of the Act has been changed to "Punjab Environmental Protection (Amendment) Act, 2012".
- (ii) For the words "Federal Government", wherever they occur, the word "Government" shall be substituted; For the words "Federal Agency", wherever they occur, the words "Provincial Agency" shall be substituted; and
- (iii) For the word "National", wherever it occurs, the word "Punjab" shall be substituted.
- (iv) All the other clauses, sub-clauses, sections and sub-sections are almost identical. Since this sub-project falls within Punjab province, approval from Punjab province will be required.
- (v) Punjab Environmental Protection Agency Review of IEE and EIA Regulation

4. The Punjab Environmental Protection Act, provides for two types of environmental assessments: IEEs and EIAs. EIAs are carried out for subprojects that have the potential for 'significant' environmental impacts, whereas IEEs are conducted for relatively smaller sub-projects with relatively less potential for significant impacts. The Punjab Environmental Protection Agency Review of the IEE and EIA Regulations categorizes the subprojects that require an IEE and an EIA. Schedules I and II, attached to the Regulations, list these types of subprojects.

5. The Regulations also provide the necessary details on the preparation, submission, and review of IEEs and EIAs. The following is a brief step-by-step description of the approval process:

- (i) To determine whether a sub-project is categorized as requiring an IEE or EIA, use the two schedules attached to the Regulations.
- (ii) An EIA or IEE is conducted as per the requirements outlined in the Pak-EPA guidelines.
- (iii) If the project is located in the provinces, then the EIA or IEE is submitted to the concerned provincial EPA; if it is located in Islamabad and federally administrated areas, then it is submitted to the Pak-EPA. The Fee (depending on the cost of the sub-project and type of report) is submitted along with the EIA or IEE document.

¹defined as "country's legal and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and relevant laws, regulations, rules, and procedures that pertain to the policy areas of environmental and social safeguards" (ADB SPS, 2009).

- (iv) The IEE/EIA is also accompanied by an application in the format prescribed in Schedule IV of the Regulations.
- (v) The EPA conducts a preliminary review of the report and replies within 10 days of the submission. It either a) confirms completeness, or b) asks for additional information, if needed, or c) returns the report and asks for additional studies, if necessary.
- (vi) If the issue is confirmation of completeness, then the EPA is required to make every effort to complete the IEE and EIA review process within 45 and 90 days, respectively.
- (vii) The EPA accords their approval, subject to certain conditions:
- (viii) Before commencing construction of the sub-project, the proponent is required to submit an undertaking accepting the conditions.
- (ix) Before commencing operation of the sub-project, the proponent is required to obtain from the EPA a written confirmation of compliance with the approval conditions and requirements of the IEE.
- (x) An Environmental Management Plan (EMP) is to be submitted with a request for obtaining confirmation of compliance.
- (xi) The EPAs are required to issue confirmation of compliance within 15 days of receipt of the request and complete documentation.
- (xii) The IEE/EIA approval is valid for three years from the date of operational phase NOC.
- (xiii) After completion of construction, a monitoring report is to be submitted to the EPA, followed by annual monitoring reports, during operations.

6. As per Punjab Environmental Protection Act for the EIA or IEE, the STP would fall under Schedule II (Review of IEE & EIA Regulations). Schedule II projects require an EIA, due to their anticipated adverse environmental impacts. Under provincial requirements, the water supply, sewerage and drainage, green spaces development and transport projects do not require either an EIA or an IEE.

2. Environmental Quality Standards

7. The National Environmental Quality Standards (NEQS) were first promulgated in 1993 and were amended in 1995 and 2000. Standards for the following types of effluent and emissions are specified in the NEQS and may be relevant to the specified projects:

- (i) Municipal and liquid industrial effluent parameters (32) for discharge to inland waters, sewage treatment facilities, and the sea.
- (ii) Industrial gaseous emissions (16) into the atmosphere.
- (iii) Motor and vehicle exhaust and noise (3)
- (iv) Ambient air quality (9)
- (v) Drinking water quality (33)
- (vi) Noise for residential, commercial, industrial, and silence zones

3. Equator Principles III

8. The Equator Principles (EPs)² is a credit risk management framework, adopted by financial

² *Equator Principles III*. Effective 4 Jun 2013. Available at http://www.equator-principles.com/resources/equator_principles_iii.pdf.

institutions³, for determining, assessing and managing environmental and social risk in projects, and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. These Equator Principles Financial Institutions commit to implementing the EPs in their internal environmental and social policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the client will not, or is unable to, comply with the EPs.

9. The EPs are one step further towards common standards and process harmonization for environmental and social safeguards, being supported by development finance institutions (including commercial banks) and export credit agencies. In Pakistan, at least four banks⁴, through their parent offices, have adopted the Equator Principles. However, at the moment all of these banks hardly provide any Project Finance or Project-Related Corporate Loans in Pakistan. In case these banks start such financing, the private sector borrowers approaching these banks will have to follow these Principles during the entire project cycle.

10. On the other hand, none of the local financial institutions⁵ has signed the Equator Principles. The State Bank of Pakistan poses a minimal requirement regarding environmental safeguards, i.e., providing information about environment impact, and health and safety issues, on the financial institutions for Infrastructure Project Financing.⁶ The local financial institutions may be encouraged, rather incentivized, to sign the Equator Principles in the interest of sustainable development in the province.

4. ADB Safeguard Policy Statement, 2009

11. Building upon its three safeguard policies: the Involuntary Resettlement Policy (1995), the Policy on Indigenous Peoples (1998), and the Environment Policy (2002) and after thorough consultations, the ADB Board approved the Safeguard Policy Statement in 2009.⁷ The Statement covers all three safeguard policies, describing common objectives of ADB's safeguards, laying out policy principles, and outlining the delivery process for ADB's safeguard policy. It also elaborates safeguard requirements for environment, involuntary resettlement and indigenous peoples as its Appendices 1, 2 and 3, respectively.

12. The ADB safeguards policy intends to:

- (i) avoid adverse impacts of projects on the environment and affected people, where possible;
- (ii) minimize, mitigate, and/or compensate for adverse project impacts on the environment and affected people when avoidance is not possible; and
- (iii) help borrowers/clients to strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

13. For environmental safeguards, ADB has defined its policy objective as "to ensure the environmental soundness and sustainability of projects and to support the integration of

³ Currently there are 80 Equator Principles Financial Institutions (EPFIs) in 35 countries have officially adopted the EPs, covering over 70 percent of international Project Finance debt in emerging markets. Complete list of EPFIs is available at <http://www.equator-principles.com/index.php/members-reporting/members-and-reporting>.

⁴ Including Bank of Tokyo-Mitsubishi UFJ, Barclays, Citigroup and Standard Chartered.

⁵ Currently, National Bank of Pakistan, Habib Bank Limited, United Bank Limited, Allied Bank Limited and MCB Bank are the leading project financiers.

⁶ State Bank of Pakistan, 2010. *Guidelines for Infrastructure Project Financing*. Available at <http://www.sbp.org.pk/publications/gipf.pdf>.

⁷ Asian Development Bank, 2009. *Safeguard Policy Statement*. Available at <http://www.adb.org/site/safeguards/policy-statement>.

environmental considerations into the project decision-making process.” As per Policy, “the environmental safeguards are triggered if a project is likely to have potential environmental risks and impacts”. The SPS outlines 11 policy principles for environmental safeguards compliance which are given in Appendix 1. These Policy Principles elaborate the process of environmental assessment and management to be followed by proponents of projects and the Bank borrowers.

B. Environmental Safeguards in the PPP Policy and Legal Framework

1. National Policy

14. Under the Pakistan Policy on Public Private Partnerships,⁸ environmental due diligence for government-originated project is to be undertaken by the Transaction Advisor at 3rd step of the cycle. The Policy also binds the PPP transactions to ensure public health, safety, social safeguards and protection of environment. However, no guidelines have so far been developed at the national level to facilitate environmental safeguard compliance in the public private partnership infrastructure projects. This underlines the need for alignment and sufficient integration between the policy decisions implemented at national and provincial level

2. Punjab Public-Private Partnership Act, 2014

15. The PPP act shall be applied to PPP projects implemented through PPP for the following sectors:

- a. Canals or dams;
- b. Education facilities
- c. Health facilities;
- d. Housing;
- e. Industrial estates;
- f. Information technology
- g. Land reclamation
- h. Mining
- i. Power generation facilities
- j. Roads(provincial highways, district roads, bridges, or bypasses)
- k. Sewerage or drainage
- l. Solid waste management
- m. Sports of recreational infrastructure;
- n. Trade fairs, conventions, exhibition or cultural centers;
- o. Urban transport including mass transit or bus terminals
- p. Water supply or sanitation, treatment or distribution, and
- q. Wholesale markets, warehouses, slaughter houses, or cold storages, grain siloses, and street light, etc.

16. The Act states that:

- a. Para 9(4) – a project proposal should include an initial environmental examination or environmental impact;
- b. Para 15 (3f) - environmental assessment should be part of bidding documents;

⁸ Government of Pakistan, 2010. *Pakistan Policy on Public Private Partnerships: Private Participation in Infrastructure for Better Public Services*. Available at http://www.ipdf.gov.pk/prod_img/PPP%20Policy%20FINAL%2014-May-2010.pdf.

- c. Para 17 (2) – on receipt of bids the Government Agency shall assess environmental responsiveness of the bid, and shall reject non-responsive bids;
- d. Para 20 (2, 3, and 5) – unsolicited proposals shall be accompanied by environmental impact statement. The Government Agency should consider all aspects of those proposals including environmental;
- e. Para 22 (2f) – the draft PPP agreement can include environmental and safety provisions (as applicable);
- f. Para 33 – the Government may prescribe the mode of conducting public hearings and consultation with stakeholders;

3. Policy for Public-Private Partnership in Infrastructure, 2014

17. The PPP policy underlines the Government's commitment to ensuring transparency and developing institutional support within the public sector to respond effectively to the private sector partners. The policy also lays out our intention to develop a cross-departmental PPP institutional framework to undertake PPP projects in various sectors.

18. The PPP Policy states (Para 22) that it puts a great weight on safeguarding public interest and consumer rights by:

- a. Safeguarding the interests of end users in local communities, particularly those belonging to the vulnerable groups;
- b. Ensuring public health and safety;
- c. Protecting the environment;
- d. Providing adequate protection of end users' rights to privacy;
- e. Providing information to the public about the obligations of the private sector and the Government;

19. **Para. 59.** The policy lists environmental sustainability of PPP projects among the project preparation objectives.

20. **Para. 65.** The preparation will consist of a feasibility study, supplemented by an initial environmental examination, and environmental impact assessment (if required);

21. **Para. 71.** During the first phase of the PPP Node Bid evaluation the technical, operational, environmental and commercial soundness of the bids will be assessed;

APPENDIX 3: INDICATIVE LIST OF MEA, LEGISLATION AND GUIDELINES APPLICABLE TO PUNJAB

Multilateral Environmental Agreements

- *Convention on Biological Diversity (CBD)*. Ratified 26 Jul 1994. Followed by Cartagena Protocol on Biosafety (Cartagena Protocol). Signed 4 Jun 2001.
- Pakistan Biosafety Rules, 2005.
- National Biosafety Guidelines, 2005.
- *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention)*. Accessed 26 Jul 1994.
- *Convention Concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention)*. Ratified 23 Jul 1976.
- *Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)*. Accessed 20 Apr 1976.
- *Convention on the Conservation of Migratory Species of Wild Animals (CMS)*. Signed 1 Dec 1987.
- *Convention on the International Maritime Organization (IMO)*. Signed 1958.
- *Convention on Wetlands of International Importance (Ramsar Convention)*. Signed 23 Nov 1976. Followed by Paris Protocol of 1982.
- *International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA)*. Accessed 2 Sep 2003.
- *Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol)*. Accessed 18 Dec 1992.
- *Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides International Trade (PIC)*. Ratified 14 Jul 2005.
- *South Asia Co-operative Environment Programme (SACEP)*. Member 1982.
- *Stockholm Convention on Persistent Organic Pollutants (POPs)*. Signed 6 Dec 2001.
- *United Nations Convention to Combat Desertification (UNCCD)*. Ratified 24 Feb 1997.
- *United Nations Framework Convention on Climate Change (UNFCCC)*. Ratified 1 Jun 1994.
- *Kyoto Protocol to the UNFCCC (Kyoto Protocol)*. Accessed 11 Jan 2005.
- *Vienna Convention for the Protection of the Ozone Layer (Vienna Convention)*. Accessed 18 Dec 1992.
- *International Plant Protection Convention*. Adhered 10 Nov 1954.
- *Agreement for the Establishment of a Commission for Controlling the Desert Locust in the Eastern Region of its Distribution Area in South-West Asia (as amended)*, Rome, 1963.
- *Agreement on the Network of Aquaculture Centres in Asia and the Pacific*, Bangkok, 1988.
- *Plant Protection Agreement for the South-East Asia and Pacific Region (as amended)*, Rome, 1956.
- *Vienna Convention for the Protection of the Ozone Layer*, Vienna, 1985.

Laws

- *Punjab Environmental Protection Act, 1997 (Amended 2012)*

- *Punjab Prohibition on Manufacture, Sale, Use and Import of Polythene Bags (Black or any other Polythene bag Below Fifteen Micro Thickness) Ordinance, 2002*

Rules/Regulations

- *Punjab Environmental Protection Council (Procedure) Rules, 2016*
- *Punjab Environmental Quality Standards for Municipal And Liquid Industrial Effluents*
- *Punjab Environmental Quality Standards for Drinking Water*
- *Punjab Environmental Quality Standards For Motor Vehicle Exhaust and Noise*
- *Punjab Environmental Quality Standards for Ambient Air*
- *Punjab Environmental Quality Standards for Noise*
- *Punjab Environmental Quality Standards for Treatment of Liquid and Disposal of Bio-medical Waste*
- *Punjab Environmental Quality Standards For Industrial Gaseous Emissions*
- *Environmental Tribunal Rules, 1999*
- *Review of IEE & EIA Regulations, 2000*
- *Certification of Environmental Laboratories Regulations, 2000*
- *Provincial Sustainable Development Fund Board (Procedure) Rules, 2001*
- *Environmental Samples Rules, 2001*
- *NEQS SMART Rules, 2001*
- *Pollution Charge Rules, 2001*
- *Provincial Sustainable Development Fund (Utilization) Rules, 2003*
- *The Punjab Polythene Bag Rules, 2004*
- *Hospital Waste Management Rules, 2005*
- *Biosafety Rules, 2005*
- *Environmental Tribunal Rules, 2012*
- *Punjab Environmental Protection Base Transceiver Station (BTS) Regulations, 2012*
- *Punjab Environmental Protection Motor Vehicles Rules, 2013*
- *Punjab Environmental Protection Administrative Penalty Rules, 2013*
- *Punjab Bio-safety Rules, 2014*
- *Punjab Hospital Waste Management Rules, 2014*

Environmental Quality Standards

- *National Environmental Quality Standards for Municipal and Liquid Industrial Effluent, Industrial Gaseous Emissions, and Motor Vehicle Exhaust and Noise, 1993. Pakistan Environmental Protection Agency, Government of Pakistan. Notified 24 Aug 1993; amended 8 Aug 2000 and 16 May 2009.*
- *National Environmental Quality Standards for Ambient Air, Drinking Water and Noise, 2010. Pakistan Environmental Protection Agency, Government of Pakistan. Notified 18 Oct 2010.*

Guidelines

- *Guidelines for the Preparation and Review of Environmental Reports, 1997. Pakistan Environmental Protection Agency, Government of Pakistan.*
- *Guidelines for Public Consultation, 1997. Pakistan Environmental Protection Agency, Government of Pakistan.*
- *Guidelines for Sensitive and Critical Areas, 1997. Pakistan Environmental Protection Agency, Government of Pakistan.*

- *Sectoral Guidelines: Major Thermal Power Stations, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Sectoral Guidelines: Major Chemical and Manufacturing Plants, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Sectoral Guidelines: Housing Estates and New Town Development, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Sectoral Guidelines: Industrial Estates, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Sectoral Guidelines: Major Roads, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Sectoral Guidelines: Major Sewerage Schemes, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *Sectoral Guidelines: Oil and Gas Exploration, 1997.* Pakistan Environmental Protection Agency, Government of Pakistan.
- *National Biosafety Guidelines, 2005.* Pakistan Environmental Protection Agency, Government of Pakistan
- *Sectoral Guidelines for Environmental Reports: Wind Power Projects, 2010.* Pakistan Environmental Protection Agency, Government of Pakistan.

Operations Manuals

- *Pakistan Environmental Assessment Procedures, 1997.* Government of Pakistan.
- *Policy and procedures for the filing, review and approval of environmental assessments, 1997.* Government of Pakistan.
- *Pakistan Environmental Legislation and the NEQS, 1997.* Government of Pakistan.

Codes of Practice

- *Sectoral Guidelines for Upstream Petroleum Sector – Onshore, 2004 (Volume 1 & 2).* Pakistan Petroleum Exploration and Production Companies Association.
- *Compliance with International Standards – Guidelines for Textile Industry. Small & Medium Enterprise Development Authority.*

APPENDIX 4: OUTLINE OF THE TERMS OF REFERENCE FOR ENVIRONMENTAL ASSESSMENT

1. The PPP Node in the relevant Government Agency is expected to develop these TOR in consultation with the Environmental Safeguard Specialist / Focal Point in the PPP Cell. If need be the Director EIA in the Punjab EPA should also be consulted to know any particular data to be collected or information to be provided, depending upon nature of the proposed project. A typical TOR will include at least the following:

I. *Project Background and Description*

2. This section should explain the project background, including the goals of the Government Agency leading to the execution of the project in the backdrop of sectoral priorities determined by the Government of Punjab. This section may include the following information:

- Purpose of the project, key objectives associated with the project, including its expected outcomes and benefits;
- Brief description of the project, project name, nature, size, its importance to the region and the country;
- Profile of the project proponent, name and contact address with e-mail, organizational chart, project consultants etc.;
- Geographical location and alignment of the project along with the relevant maps;
- Status of the preliminary approvals to initiate the projects including any litigation(s) pending against the proposed project and/or any directions or orders passed by any court of law/any statutory authority against the project;
- The environmental compliance status for the existing project in case of expansion/modernization of the project;
- Project design including siting, materials, equipment and technology to be used, and expected waste or effluents
- Indicative resources, manpower, timeframe, source of financing and PPP mode anticipated for the project implementation

II. *Scope of Services*

3. The scope of services of the consultant(s) conducting the environmental assessment (EA) should cover, but not be limited to, the following activities:

- Conduct review of literature including the governing national laws and regulatory framework on environmental issues, visit the project area, hold preliminary consultations with the affected people and the relevant stakeholders, and establish baseline conditions of the project;
- Undertake the relevant qualitative and quantitative tests and analyses, including environmental cost benefit analysis, to set the baseline;
- Based on the scoping, refine the TOR for the environmental assessment in consultation with the Environmental Safeguard Specialist in the PPP Cell and the Punjab EPA;
- Identify adverse environmental impacts on land, air, noise, water, biological, socioeconomic and health environments associated with the project in terms of their nature, magnitude, extent and location, and timing and duration during the construction and operation stages;
- Propose appropriate mitigation measures for any adverse environmental impacts based on exploring the possibility to achieve the project objectives by alternative

ways, proposing changes in design, and improving monitoring and management practices (storage of construction materials, labor camps, waste disposal, disposal of construction debris, etc.);

- Prepare a comprehensive Environmental Management Plan to ensure the adequacy and effectiveness of the proposed management by clearly identifying the roles and responsibilities of the contractor, supervisory consultant, PPP Node in the Government Agency and the private party;
- Suggest effective monitoring and evaluation mechanism, including reporting and development of Corrective Action Plan, during construction and operation of the project;
- Assist the Punjab EPA and the PPP Node in the Government Agency in holding public consultations to delineate the appropriate boundaries of the EA, screen potential adverse environmental impacts, and design appropriate mitigation measures;
- Document the proceedings of the consultations along with the list of participants and photographs;
- Incorporate any suggestions and feedback into the final EIA report and the EMP aligned with the formats required by the Punjab EPA; and
- Prepare summary of the EIA and EMP for public disclosure.

III. Eligibility

4. The PPP Node should determine appropriate eligibility and qualification criteria for the consultant(s) who will conduct the EA in consultation with the Environmental Safeguard Specialist / Focal Point in the PPP Cell. The minimum qualification should be a postgraduate degree in environmental sciences and accreditation of the consultant(s) from any of the EPAs.

IV. Time Schedule

5. The PPP Node should determine a reasonable timeframe to conduct the EA according to the physical scope of the project in consultation with the Environmental Safeguard Specialist in the PPP Cell.

V. Deliverables

6. Though not limited to, the deliverables of the environmental assessment may include:
- Inception Report
 - Monthly Progress Reports
 - Draft Environmental Assessment Report
 - Draft Environmental Management Plan
 - Report of the Public Consultations
 - Final Environmental Assessment Report
 - Final Environmental Management Plan

APPENDIX 5: PROHIBITED INVESTMENT ACTIVITIES LIST

The following do not qualify for Asian Development Bank financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹ or child labor;²
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,³ pesticides, and herbicides,⁴(b) ozone-depleting substances,⁵ (c) polychlorinated biphenyls⁶ and other hazardous chemicals,⁷(d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁸ and (e) transboundary trade in waste or waste products;⁹
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹⁰
- (v) production of or trade in tobacco;⁵
- (vi) gambling, casinos, and equivalent enterprises;⁵
- (vii) production of or trade in radioactive materials,¹¹ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹²
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

¹ Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

² Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

³ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

⁴ A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

⁵ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

⁶ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁷ A list of hazardous chemicals is available at <http://www.pic.int>.

⁸ A list is available at <http://www.cites.org>.

⁹ As defined by the Basel Convention; see <http://www.basel.int>.

¹⁰ This does not apply to subproject sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a subproject sponsor's primary operations.

¹¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

APPENDIX 6: ENVIRONMENTAL IMPACTS SCREENING CATEGORY

<input type="checkbox"/> Category A Significant Impact <input type="checkbox"/> Category B Limited Impact <input type="checkbox"/> Category C No impact	Prepared by: Name and Signature Designation: Date: Approved by: Name and Signature Designation: Date:
--	--

Use the Environmental Exclusion Checklist to disqualify applications, which may have significant environmental risks. If the answer to one of the screening questions is YES, the subprojects will be excluded. In case requiring professional judgment, the PPP Unit can seek validation from a qualified consultant.

Environmental Exclusion List, based on ADB's REA

1

SCREENING QUESTIONS
A. Subproject Siting
Is the Subproject area within less than 300 m from any of the following environmentally sensitive areas?
<ul style="list-style-type: none"> • Cultural heritage and historic site
<ul style="list-style-type: none"> • Legally protected area (core zone or buffer zone, all 5 types of protected areas as defined by the national environmental legislation)
<ul style="list-style-type: none"> • Wetland
<ul style="list-style-type: none"> • Mangrove
<ul style="list-style-type: none"> • Estuarine
<ul style="list-style-type: none"> • Special area for protecting biodiversity
<ul style="list-style-type: none"> • Residential areas, schools and hospitals
B. Potential Significant Environmental Impacts but no mitigation measures proposed
<ul style="list-style-type: none"> • social and environmental conflicts or additional burden on existing infrastructure and service if large number workers from other regions are hired?
<ul style="list-style-type: none"> • risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during subproject construction and operation?
<ul style="list-style-type: none"> • 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?
<ul style="list-style-type: none"> • use of chemicals or hazardous materials?

¹ Depending on the type of investment, specific REA can be found at <http://www.adb.org/site/safeguards/environment>

APPENDIX 7: SOCIAL SAFEGUARDS SCREENING

INVOLUNTARY RESETTLEMENT IMPACT CATEGORY <input type="checkbox"/> Category A Significant Impact ¹ <input type="checkbox"/> Category B Limited Impact <input type="checkbox"/> Category C No impact	Prepared by:	
	Name and Signature	
	Designation:	
	Date:	
	Approved by:	
	Name and Signature	
	Designation:	
	Date:	

Involutary Resettlement Impact Checklist

Probable Involuntary Resettlement Effects (Please elaborate in the Remarks column)	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? <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, approximately how many? _____				
Are any of them poor, female-heads of households, or vulnerable to poverty risks? <input type="checkbox"/> No <input type="checkbox"/> Yes				
Are any displaced persons from indigenous or ethnic minority groups? <input type="checkbox"/> No <input type="checkbox"/> Yes				

¹ Involuntary resettlement means physical or economic displacement as a result of land acquisition or involuntary restrictions on land use or on access to legally designated parks and protected areas. Involuntary resettlement is considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).

INDIGENOUS PEOPLES' IMPACT CATEGORY <input type="checkbox"/> Category A Significant Impact ² <input type="checkbox"/> Category B Limited Impact <input type="checkbox"/> Category C No impact	Prepared by:	
	Name and Signature	
	Designation:	
	Date:	
	Approved by:	
	Name and Signature	
	Designation:	
	Date:	

Indigenous Peoples Impact Screening Checklist

KEY CONCERNS (Please provide elaborations on the Remarks column)	YES	NO	NOT KNOWN	Remarks
<ul style="list-style-type: none"> Indigenous Peoples Identification 				
1. Are there socio-cultural groups present in or use the Project area who may be considered as "tribes" (hill tribes, schedules tribes, tribal peoples), "minorities" (ethnic or national minorities), or "indigenous communities" in the Project area?				
2. Do such groups self-identify as being part of a distinct social and cultural group?				
3. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
4. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?				
5. Do such groups speak a distinct language or dialect?				
6. Have such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?				
7. 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				
8. Will the Project directly or indirectly benefit or target Indigenous Peoples?				
9. Will the Project directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)?				

² Involuntary resettlement means physical or economic displacement as a result of land acquisition or involuntary restrictions on land use or on access to legally designated parks and protected areas. Involuntary resettlement is considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).

KEY CONCERNS (Please provide elaborations on the Remarks column)	YES	NO	NOT KNOWN	Remarks
10. Will the Project affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)?				
11. 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 <i>Will the Project activities include:</i>				
12. Physical displacement from traditional or customary lands?				
13. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by Indigenous Peoples ?				

APPENDIX 8: PROJECTS REQUIRING AN EIA¹

List of projects requiring an EIA

A. Energy

1. Hydroelectric power generation more than 100 MW
2. Thermal, Biomass, Solar and Wind power generation more than 200 MW
3. Coal, power generation more than 100 MW
4. Transmission lines more than 11 KV and large distribution projects
5. Oil and gas transmission systems having cost more than 100 million
6. Oil and gas extraction projects including exploration, production, gathering, generating systems, separation and storage having cost of more than 100 million.
7. Waste-to-energy generation projects

B. Manufacturing and processing

1. Cement plants
2. Chemical processing / production projects
3. Fertilizer plants
4. Food processing industries including ice mills, rice units, flour mills, poultry feed mills using wheat, maize etc. as raw material ghee and oil mills, beverages, milk and dairy products, with total cost more than Rs.100 million
5. Industrial estates (including export processing zones / ports)
6. Manufacturing of apparel, spinning mills, woolen mills, weaving mills including dyeing and printing, garments and leather stitching units, cotton ginning mills, plastic materials & products, glue manufacturing, detergent, rubber products, printing with total cost more than Rs. 100 million
7. Pesticides (manufacture or formulation) units.
8. Petrochemicals complex/production, processing units.
9. Synthetic resins, plastics and man-made fibers, paper and paper board, paper pulping, plastic products, textiles (except apparel),printing and publishing, paints and dyes, oils and fats and vegetable ghee projects, with total cost more than Rs.100 million
10. Tanning and leather finishing projects having wet process
11. Poultry rendering units, brick kilns and pyrolysis plants
12. Ceramics and glass units with total cost more than Rs. 100 million
13. Wood & Cork products with total cost more than Rs. 100 million
14. Marble cutting units, stone crushers, stone grinding mills, floor tiles/
15. ceramic manufacturing mills, pipes manufacturing mills, fan
16. manufacturing, sanitary fitting & other electrical appliances
17. manufacturing mills, plaster of Paris, stone grinding units with total cost less than Rs. 100 million
18. Steel mills, re-rolling mills and furnaces with total cost more than Rs. 50 million
19. Petroleum refining units, oil reclamation units cost more than Rs. 100 Million

¹ Punjab Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations, 2016.

C. Mining and mineral processing

1. Mining and processing of coal, gold, copper, sulphur, precious stones and other raw minerals.
2. Mining and processing of major non-ferrous metals, iron and steelrolling etc.
3. Smelting plants with total cost of Rs.50 million and above

D. Transport

1. Airports
2. Federal or Provincial highways or major roads, bridges, overheads, underpasses (except maintenance, rebuilding or reconstruction of existing roads) with total cost of Rs. 100 million and above
3. Dry ports development
4. Railway works

E. Water management, dams, irrigation and flood protection

1. Dams and reservoirs with storage volume of 50 million cubic meters and above or having surface area of 8 square kilometers and above
2. Irrigation and drainage projects serving 15,000 hectares and above

F. Water supply and treatment

1. Water supply schemes and treatment plants with total cost more thanRs.25 Million

G. Waste Disposal

1. Drainage schemes, Waste disposal and/or storage of hazardous or toxic wastes (including landfill sites, incineration of hospital toxic waste) with total cost more than Rs. 25 million
2. Waste disposal processing facilities for domestic or industrial wastes, with annual capacity more than 10,000 cubic meters

H. Urban development and tourism

1. Land use studies and urban plans (large cities)
2. Large-scale tourism development projects with total cost more than Rs.50million
3. Public facilities with significant off-site impacts (e.g., Incinerators, autoclaves having capacity more than 40 kg for disposal of hospital wastes)
4. General bus & truck stands (Category A, B, & C)

I. Environmentally Sensitive Areas

1. All projects situated in environmentally sensitive areas

J. Other projects

1. Any other project for which filing of an EIA is required by the Provincial Agency under sub-regulation (2) of Regulation 5.
2. Any other project likely to cause an adverse environmental effect

APPENDIX 9: PROJECTS REQUIRING AN IEE¹

A. Agriculture, Livestock and Fisheries

1. Poultry, livestock, dairy, stud and fish farms with total cost more than Rs.20 million
2. Projects involving repacking, formulation or warehousing of agricultural products
3. Fruit & vegetable processing units

B. Energy

1. Hydroelectric power generation less than 100 MW
2. Thermal, biomass, solar and wind power generation less than 200 MW
2. Coal power generation less than 100 MW
3. Transmission lines less than 11 KV and large distribution projects
4. Oil and gas transmission systems
5. Oil and gas extraction projects including exploration, production, gathering systems, separation and storage
6. Waste-to-energy generation projects
7. BTS, telecom & other wireless communication towers

C. Manufacturing and Processing

1. Ceramics and glass units with total cost less than Rs. 100 million
2. Food processing industries including ice mills, rice units, flour mills, poultry feed mills using wheat, maize etc. as raw material, ghee and oil mills, beverages, milk & dairy products and all edible processing producing, with total cost less than Rs.100 million
3. Man-made fibers and resin projects with total cost less than Rs.100 million
4. Manufacturing of apparel, spinning mills, woolen mills, weaving mills including dyeing and printing, garments and leather stitching units, cotton ginning mills, plastic materials & products, glue manufacturing, detergent, rubber products, printing with total cost less than Rs. 100million
5. Wood & Cork products with total cost less than Rs.100 million
6. Marble cutting units, stone crushers, stone grinding mills, floor tiles manufacturing mills, pipes manufacturing mills, fan manufacturing, sanitary fitting & other electrical appliances manufacturing units, plaster of Paris units with total cost less than Rs.100 million
7. Steel mills, furnaces with total cost less than Rs. 50 million
8. Petroleum refining units, oil reclamation units cost less than Rs. 100million
9. Biogas Plants, Boilers
10. Pharmaceutical industries.

D. Mining and Mineral Processing

1. Commercial extraction of sand, gravel, limestone, clay, sulphur and other minerals not included in Schedule II with total cost less than
3. Rs.100million
4. Crushing, grinding and separation processes
5. Smelting plants with total cost less than Rs.50 million

¹ Punjab Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations, 2016.

E. Transport

1. Federal or Provincial highways, bridges, overheads, underpasses (except maintenance, rebuilding or reconstruction of existing metaled roads) with total cost less than Rs. 100 million
2. Ports and harbor development for ships having less than 500 gross tons capacity per day.

F. Water management, dams, irrigation and flood protection

1. Dams and reservoirs with storage volume less than 50 million cubic meters of surface area covering less than 8 square kilometers
2. Irrigation and drainage projects serving less than 15,000 hectares
3. Small-scale irrigation systems with total cost less than Rs.50 million

G. Water supply and treatment

1. Water supply schemes and treatment plants with total cost less than Rs.25 Million

H. Waste disposal

1. Waste disposal processing facility unit for domestic or industrial wastes, with annual capacity less than 10,000 cubic meters

I. Urban development and tourism

1. Housing schemes
2. Public facilities with significant off-site impacts (e.g., Incinerators, autoclaves having capacity less than 100 kg per day for disposal of hospital wastes)
3. Urban development projects
4. Commercial buildings having area less than 02 acres and height less than 200 feet
5. Marriage halls, ware houses for industrial goods and cold storage
6. Hospitals less than 50 beds
7. Hotels / guest houses less than 50 living rooms
8. General bus & truck stands (Category D &above)

J. Other projects

1. Any other project for which filing of an IEE is required by the Provincial Agency under sub-regulation (2) of Regulation 5

APPENDIX 10: PROJECTS REQUIRING IEE PERFORMANCE¹

- A. Construction and lining of water courses
- B. Rural schools and Basic Health Units
- C. Construction of roads in urban areas up to 10 Km Small to medium size water supply and sanitation schemes
- D. Canal cleaning and de-siltation in urban areas
- E. Establishment and operation of Petrol and CNG Stations
- F. Establishment and operation of Brick Kiln Units

¹ Punjab Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations, 2016.

APPENDIX 11: SUGGESTED OUTLINE OF SAFEGUARD DUE DILIGENCE REPORT

A. Introduction

1. Subproject description: title, type of subproject, location and setting, amount, size (production capacity, number of staff, etc.).
2. Environmental and social categorization and rationale.

B. Scope of Review and Methodology

3. Documents reviewed (e.g., environmental assessment reports or environmental and social compliance audit reports, copies of permits/licenses, etc.).
4. Methodology adopted (e.g., site visit, inspection report, double-checking against the PIAL, Exclusion list, and Decree 152 list, etc.).

C. Compliance and Liability (by relevant safeguard requirements applicable for the specific subproject, examine environmental issues and compliance)

5. Examine issues in terms of environmental, mitigation measures to address these issues (or corrective action plan) and compliance status with national environmental regulations and standards:
 - (i) appropriate identification of major anticipated environmental impacts and risks;
 - (ii) adequacy of environmental assessment reports requested by national regulations; other relevant permits;
 - (iii) compliance status with applicable national requirements such as information disclosure, consultation with affected people;
 - (iv) adequacy of mitigation measures, monitoring and reporting, institutional arrangement, budget, or corrective action plan, if any.
6. Recommend mitigation measures, or corrective action plans, if gaps are identified.
7. Examine whether there are complaints from the public or local communities regarding the subproject company's environmental and social performance.
8. State any risk control or mitigation measures to be taken by the subproject, such as conditions, loan covenants or monitoring and reporting requirements

D. Other Subproject Specific Issues (if any)

E. Conclusion and Recommendations

F. Attachments: all the relevant completed checklists

APPENDIX 12: OUTLINE OF A LAND ACQUISITION AND RESETTLEMENT PLAN

1. 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

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

B. Project Description

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

C. Scope of Land Acquisition and Resettlement

4. 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

5. 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) definition, identification, and enumeration of the people and communities to be affected;
- (ii) description of the likely impacts of land and asset acquisition on the people and communities affected taking social, cultural, and economic parameters into account;
- (iii) discussion of the Project's impacts on the poor, indigenous and/or ethnic minorities, and other vulnerable groups; and
- (iv) identification of gender and resettlement impacts, and the socioeconomic situation, impacts, needs, and priorities of women.

E. Information Disclosure, Consultation, and Participation

6. This section:

- (i) identifies Project stakeholders, especially primary stakeholders;

- (ii) describes the consultation and participation mechanisms to be used during the different stages of the Project cycle;
- (iii) describes the activities undertaken to disseminate Project and resettlement information during Project design and preparation for engaging stakeholders;
- (iv) summarizes the results of consultations with affected persons (including host communities), and discusses how concerns raised and recommendations made were addressed in the resettlement plan;
- (v) confirms disclosure of the draft resettlement plan to affected persons and includes arrangements to disclose any subsequent plans; and
- (vi) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for consultation with affected persons during Project implementation.

F. Grievance Redress Mechanisms

7. This section describes mechanisms to receive and facilitate the resolution of affected persons' concerns and grievances. It explains how the procedures are accessible to affected persons and gender sensitive.

G. Legal Framework

8. This section:

- (i) describes national and local laws and regulations that apply to the Project and identifies gaps between local laws and ADB's policy requirements; and discuss how any gaps will be addressed.
- (ii) describes the legal and policy commitments from the executing agency for all types of displaced persons;
- (iii) outlines the principles and methodologies used for determining valuations and compensation rates at replacement cost for assets, incomes, and livelihoods; and sets out the compensation and assistance eligibility criteria and how and when compensation and assistance will be provided.
- (iv) describes the land acquisition process and prepare a schedule for meeting key procedural requirements.

H. Entitlements, Assistance and Benefits

9. This section:

- (i) defines displaced persons' entitlements and eligibility, and describes all resettlement assistance measures (includes an entitlement matrix);
- (ii) specifies all assistance to vulnerable groups, including women, and other special groups; and.
- (iii) outlines opportunities for affected persons to derive appropriate development benefits from the Project.

I. Relocation of Housing and Settlements

10. This section:

- (i) describes options for relocating housing and other structures, including replacement housing, replacement cash compensation, and/or self-selection (ensure that gender concerns and support to vulnerable groups are identified);

- (ii) describes alternative relocation sites considered; community consultations conducted; and justification for selected sites, including details about location, environmental assessment of sites, and development needs;
- (iii) provides timetables for site preparation and transfer;
- (iv) describes the legal arrangements to regularize tenure and transfer titles to resettled persons;
- (v) outlines measures to assist displaced persons with their transfer and establishment at new sites;
- (vi) describes plans to provide civic infrastructure; and
- (vii) explains how integration with host populations will be carried out.

J. Income Restoration and Rehabilitation

11. This section:
- (i) identifies livelihood risks and prepare disaggregated tables based on demographic data and livelihood sources;
 - (ii) describes income restoration programs, including multiple options for restoring all types of livelihoods (examples include Project benefit sharing, revenue sharing arrangements, joint stock for equity contributions such as land, discuss sustainability and safety nets);
 - (iii) outlines measures to provide social safety net through social insurance and/or project special funds;
 - (iv) describes special measures to support vulnerable groups;
 - (v) explains gender considerations; and
 - (vi) describes training programs.

K. Resettlement Budget and Financing Plan

12. This section:
- (i) provides an itemized budget for all resettlement activities, including for the resettlement unit, staff training, monitoring and evaluation, and preparation of resettlement plans during loan implementation;
 - (ii) describes the flow of funds (the annual resettlement budget should show the budget-scheduled expenditure for key items);
 - (iii) includes a justification for all assumptions made in calculating compensation rates and other cost estimates (taking into account both physical and cost contingencies), plus replacement costs; and
 - (iv) includes information about the source of funding for the resettlement plan budget.

L. Institutional Arrangements

13. This section:
- (i) describes institutional arrangement responsibilities and mechanisms for carrying out the measures of the resettlement plan;
 - (ii) includes institutional capacity building program, including technical assistance, if required;
 - (iii) describes role of NGOs, if involved, and organizations of affected persons in resettlement planning and management; and
 - (iv) describes how women's groups will be involved in resettlement planning and management.

M. Implementation Schedule

14. This section includes a detailed, time bound, implementation schedule for all key resettlement and rehabilitation activities. The implementation schedule should cover all aspects of resettlement activities synchronized with the Project schedule of civil works construction, and provide land acquisition process and timeline.

N. Monitoring and Reporting

15. This section describes the mechanisms and benchmarks appropriate to the Project for monitoring and evaluating the implementation of the resettlement plan. It specifies arrangements for participation of affected persons in the monitoring process. This section will also describe reporting procedures.

APPENDIX 13: OUTLINE OF AN INDIGENOUS PEOPLES PLAN

1. 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

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

B. Description of the Project

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

C. Social Impact Assessment

4. 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; and
- (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.

D. Information Disclosure, Consultation and Participation

5. This section:

- (i) describes the information disclosure, consultation and participation process with the affected Indigenous Peoples communities that was carried out during Project preparation;
- (ii) summarizes their comments on the results of the social impact assessment and identifies concerns raised during consultation and how these have been addressed in Project design;
- (iii) in the case of Project activities requiring broad community support, documents the process and outcome of consultations with affected Indigenous Peoples communities and any agreement resulting from such consultations for the Project activities and safeguard measures addressing the impacts of such activities;
- (iv) describes consultation and participation mechanisms to be used during implementation to ensure Indigenous Peoples participation during implementation; and
- (v) confirms disclosure of the draft and final IPP to the affected Indigenous Peoples communities.

E. Beneficial Measures

6. This section specifies the measures to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate, and gender responsive.

F. Mitigation Measures

7. This section specifies the measures to avoid adverse impacts on Indigenous Peoples; and where the avoidance is impossible, specifies the measures to minimize, mitigate and compensate for identified unavoidable adverse impacts for each affected Indigenous Peoples groups.

G. Capacity Building

8. This section provides measures to strengthen the social, legal, and technical capabilities of (a) government institutions to address Indigenous Peoples issues in the Project area; and (b) Indigenous Peoples organizations in the Project area to enable them to represent the affected Indigenous Peoples more effectively.

H. Grievance Redress Mechanism

9. This section describes the procedures to redress grievances by affected Indigenous Peoples communities. It also explains how the procedures are accessible to Indigenous Peoples and culturally appropriate and gender sensitive.

I. Monitoring, Reporting and Evaluation

10. This section describes the mechanisms and benchmarks appropriate to the Project for monitoring, and evaluating the implementation of the IPP. It also specifies arrangements for participation of affected Indigenous Peoples in the preparation and validation of monitoring, and evaluation reports.

J. Institutional Arrangement

11. This section describes institutional arrangement responsibilities and mechanisms for carrying out the various measures of the IPP. It also describes the process of including relevant local organizations and NGOs in carrying out the measures of the IPP.

K. Budget and Financing

12. This section provides an itemized budget for all activities described in the IPP.

APPENDIX 14: CHECKLIST FOR PRELIMINARY CLIMATE RISK SCREENING

A Checklist for Preliminary Climate Risk Screening

Country/Project Title:

Sector:

Subsector: Division/Department:

Screening Questions		Score	Remarks ¹
Location and Design of project	Is siting and/or routing of the project (or its components) likely to be affected by climate conditions including extreme weather related events such as floods, droughts, storms, landslides?		
	Would the project design (e.g. the clearance for bridges) need to consider any hydro-meteorological parameters (e.g., sea-level, peak river flow, reliable water level, peak wind speed etc)?		
Materials and Maintenance	Would weather, current and likely future climate conditions (e.g. prevailing humidity level, temperature contrast between hot summer days and cold winter days, exposure to wind and humidity hydro-meteorological parameters likely affect the selection of project inputs over the life of project outputs (e.g. construction material)?		
	Would weather, current and likely future climate conditions, and related extreme events likely affect the maintenance (scheduling and cost) of project output(s) ?		
Performance of project outputs	Would weather/climate conditions, and related extreme events likely affect the performance (e.g. annual power production) of project output(s) (e.g. hydro-power generation facilities) throughout their design life time?		

Options for answers and corresponding score are provided below:

Response	Score
Not Likely	0
Likely	1
Very Likely	2

Responses when added that provide a score of 0 will be considered low risk project. If adding all responses will result to a score of 1-4 and that no score of 2 was given to any single response, the project will be assigned a medium risk category. A total score of 5 or more (which include providing a score of 1 in all responses) or a 2 in any single response, will be categorized as high risk project.

Result of Initial Screening (Low, Medium, High):

Other Comments:

Prepared by:

Date:

¹ If possible, provide details on the sensitivity of project components to climate conditions, such as how climate parameters are considered in design standards for infrastructure components, how changes in key climate parameters and sea level might affect the siting/routing of project, the selection of construction material and/or scheduling, performances and/or the maintenance cost/scheduling of project outputs.

APPENDIX 15: PROJECT CLIMATE RISK ASSESSMENT AND MANAGEMENT REPORTING TEMPLATE

A Project Climate Risk Assessment and Management Reporting Template (1-2 pages only)

I. Basic Project Information

Project Title:
Project Budget:
Location:
Sector:
Theme:
Brief Description <i>(particularly highlighting aspects of the project that could be affected by weather/climate conditions):</i>

II. Summary of Climate Risk Screening and Assessment

(Initial climate risk screening can be carried out using available online tools such as UNEP Global Risk Data Platform [<http://preview.grid.unep.ch/index.php?preview=map&lang=eng>]. Upon the completion of this initial screening, a report will be generated with risks ranked for different climate hazards and advice for possible next steps provided. Mission leaders for projects ranked at medium or high risk could arrange for more detailed climate risk assessments, to further identify the nature, level of risks, and more critically, options to manage such risks within the context of the proposed project.)

A. Sensitivity of project component(s) to climate/weather conditions and sea level

[describe how climate/weather condition (e.g. temperature and seasonal contrast, rainfall amount and seasonality, wind, solar radiation, etc.)and sea level could affect the relevant project component(s)]

[Examples]

Project component

1. Construction of a road pavement
2. Construction of a new river-crossing bridge
3. ...

[Examples]

Sensitivity to climate/weather conditions and sea level

1. Winter and summer temperature contrast;
2. Intensity and frequency of heavy rainfall events;
3. ...

B. Climate Risk Screening

[Identify potential risks of projected climate change to climate-sensitive project component(s)]

Risk topic

[Examples]

1. Temperature increase
2. Rainfall increase
3. ...

Description of the risk

[Examples]

1. Bridge free-board allowance calculated with current climate statistics may be insufficient with projected increase in rainfall intensity
2. ...

Climate Risk Classification [Low, Medium and High]

C. Climate risk assessment

[If the initial climate risk screening ranks the project at medium or high risks to projected climate change, mission leaders should conduct more in-depth risk assessments; if applicable, provide relevant ToRs and/or assessment reports as annexes to this appendix.]

[Please describe approach to risk assessment and key impacts on project performance].

III. Climate Risk Management Response within the Project

(Describe project activities, outputs, indicators and/or targets aimed to address identified climate risks and budgetary allocations, and other adaptive measures to be included/considered in the project design to address climate risks identified)

[Example]

1. Project will help better cope with climate variability and change through activities such as rehabilitation and upgrade of urban water drainage systems
2. ...