

Environmental and Social Safeguards Framework Arrangement

November 2016

People's Republic of Bangladesh: Third Public–
Private Infrastructure Development Facility

CURRENCY EQUIVALENTS

(as of 20 October 2016)

Currency unit	–	Taka (Tk)
Tk1.00	=	\$0.01276
\$1.00	=	Tk 78.375

ABBREVIATIONS

ADB	Asian Development Bank
ADP	<i>adivasi</i> development plan
CAP	corrective action plan
DOE	Department of Environment
E&S	environmental and social
ECC	environmental clearance certificate
EDDR	environmental due diligence report
EHS	environmental health and safety
EIA	environmental impact assessment
EMP	environmental management plan
ESMF	environmental and social management framework
ESSMU	environment and social safeguards management unit
ESSF	environmental and social safeguards framework
ESRM	environmental and social risk management
FFA	framework financing agreement
FGD	focus group discussion
GFI	global financial institution
IDCOL	Infrastructure Development Company Limited
IEE	initial environmental examination
IP	Indigenous peoples
IPSA	initial poverty and social assessment
IR	involuntary resettlement
JICA	Japan International and Cooperation Agency
KYC	know-your-client
LCC	locational clearance certificate
MFF	multitranches financing facility
PEAR	preliminary environmental appraisal report
PFR	periodic financing request
PLS	preliminary letter of support
PPIDF	Public–Private Infrastructure Development Facility
PMU	project management unit
RERED	Rural Energy and Renewable Energy Development
RP	resettlement plan
SDDR	social due diligence report
SHS	solar home system
SIA	social impact assessment
SPS	safeguard policy statement
TA	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2016 ends on 30 June 2016.
- (ii) In this report, "\$" refers to US dollars.

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Table of Contents

1.0	Introduction	1
1.1	Overview of the Investment Program	1
1.2	Purpose of the Environmental and Social Safeguards Framework	2
1.3	Implementation Arrangements	2
2.0	Policy and Legal Framework and Institutional Capacity	3
2.1	Development of Environment and Social Safeguards Framework of the Infrastructure Development Company Limited	3
2.2	Infrastructure Development Company Limited as the Implementing Agency	6
3.0	Subproject Selection Criteria for the Third Public–Private Infrastructure Development Facility	7
4.0	Environmental and Social Safeguards Framework 2011	7
4.1	Objectives	8
4.2	Structure	8
4.3	General Operational Procedures for Environmental Safeguard Framework and Social Safeguard Framework	8
4.4	Consultation and Disclosure	15
4.5	Grievance Redress Mechanism	16
4.6	Monitoring and Reporting	16
4.7	Roles and Responsibilities	17
4.8	Environment and Social Safeguards Framework Update	18
5.0	Revisions to the Environmental and Social Safeguards Framework 2011 for Consideration through the Technical Assistance	18

1.0 Introduction

1. The importance of investment in infrastructure in achieving higher growth and employment was emphasized in the Sixth Five-Year Plan (FY2010–FY2015) of the Government of Bangladesh (the Government). The challenge is to increase the rate of investment by about 5.5% of gross domestic product (GDP) over the next plan period, FY2016–FY2020, i.e. from 28.9% of GDP in FY2015 to 34.4% of GDP by the end of the Plan in FY2020.¹ In addition, one of the key challenges to increase infrastructure investments—including the adaptation of green growth strategies and interventions—is inadequate financing given that most infrastructure projects involve considerable costs and such financing is not readily available from the public sector. Financial investments in the infrastructure sector, in particular in the energy and transport sectors, could significantly improve the quality of life. To realize this target, both public and private investment rates in infrastructure need to increase and this requires strong public–private partnerships as well as formulating suitable and relevant policy and regulatory framework.

2. To address these constraints, the Government through the Infrastructure Development Company Limited (IDCOL), has requested the Asian Development Bank (ADB) to provide financing for the Third Public–Private Infrastructure Development Facility (PPIDF 3) under the multitranche financing facility (MFF).² The expected outputs of PPIDF 3 will be: (i) increased available long-term debt financing for infrastructure projects including some innovative PPP interventions, (ii) catalyzed takeout financing for infrastructure projects, and (iii) strengthened IDCOL’s institutional capacity

1.1. Overview of the Investment Program

3. Building on the experience from PPIDF 1 and PPIDF 2, the PPIDF 3 will be an MFF of \$526 million to be provided in two tranches to help finance subprojects on medium- to large-sized infrastructure, and renewable energy like solar power and energy efficiency. Under the PPIDF 3, take-out financing will be introduced and this will be a new financial product that IDCOL will offer to its clients. With this financing scheme, a maximum of 20% of ADB funds may be used to buyout individual loan or loan portfolio which consists of infrastructure projects from other financial institutions under each tranche. This may include subprojects that may be financially closed, under construction, or fully commissioned. ADB funds can finance up to 40% of the total subproject cost under each subloan, except that with prior approval of ADB, the subloan may exceed the limit and be up to 60% of the project cost.³ Under tranche 1, ADB will review the first three subprojects funded by the regular OCR loan and subloans above \$5.0 million equivalent funded by the concessional OCR loan to ascertain IDCOL’s ability to manage the subproject review and disbursement process. ADB reserves the right to request any supporting subproject documents and not to reimburse or liquidate any subprojects that do not

¹ Government of Bangladesh, Planning Commission. 2015. *Seventh Five Year Plan FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

² Multitranche financing facility (MFF) is a flexible financing modality offered by ADB to support the medium- to long-term investment program or investment plan of a client. An MFF consists of tranches that finances multiple projects under an investment program in a sector or in several sectors, or large stand-alone projects with substantial and related individual components with long-term implementation plans. A tranche may comprise a loan, grant, guarantee, or ADB-administered cofinancing to finance a project or a component under the facility. (ADB Operations Manual, Multitranche Financing Facility, OM Section D14/BP, 17 February 2015. Accessed 1 September 2016: <http://www.adb.org/sites/default/files/institutional-document/31483/omd14.pdf>)

³ Subprojects in the renewable energy and energy efficiency subsectors have a high developmental impact and long-term funds are not easily available. Therefore, for renewable energy and energy efficiency subprojects to be funded out of the concessional OCR loan, IDCOL’s maximum exposure will be set at 70% or 80%, respectively.

comply with the PPIDF 3 implementation requirements detailed in the facility administration manual (FAM). The table below presents the indicative financing plan.

Source	Amount (\$ million)	Share of Total (%)	Tranche 1 (\$ million)	Tranche 2 (\$ million)
Asian Development Bank				
Ordinary Capital Resources (regular)	500.0	38.0	250.0	250.0
Ordinary Capital Resources (concessional)	26.0	2.0	10.0	16.0
Subborrowers' Own Funds (equity)	263.0	20.0	130.0	133.0
Private Sector Banks/Financiers (debt) ^a	526.0	40.0	260.0	266.0
Total	1,315.0	100.0	650.0	665.0

ADB = Asian Development Bank, PFR = periodic financing request.

^a This assumes that the sponsor will provide equity financing of 20% of total project cost—private sector banks and financiers will provide debt funding of 40% of the total project cost while the Infrastructure Development Company Limited will finance 40% of each subproject using the ADB funds under the Third Public–Private Infrastructure Development Facility.

Sources: Asian Development Bank.

1.2. Purpose of the Environmental and Social Safeguards Framework

4. According to ADB's Safeguard Policy Statement (SPS) 2009, an environmental and social safeguards framework (ESSF) is required for an MFF. The ESSF aims to ensure that the subprojects implemented under the MFF comply with ADB safeguard objectives, principles, and requirements (para. 62, SPS 2009, page 22). The ESSF provides guidance on environmental and social screening, assessment, institutional arrangements, and procedures to be followed for the succeeding tranches in the MFF where components have not yet been fully defined and locations not yet identified to ensure compliance with SPS 2009 and the applicable laws and regulations of the Government. Subproject selection to be considered for financing under the PPIDF 3 will be based on the selection criteria outlined in the ESSF and Schedules 4 and 5 of the framework financing agreement (FFA).⁴

1.3. Implementation Arrangements

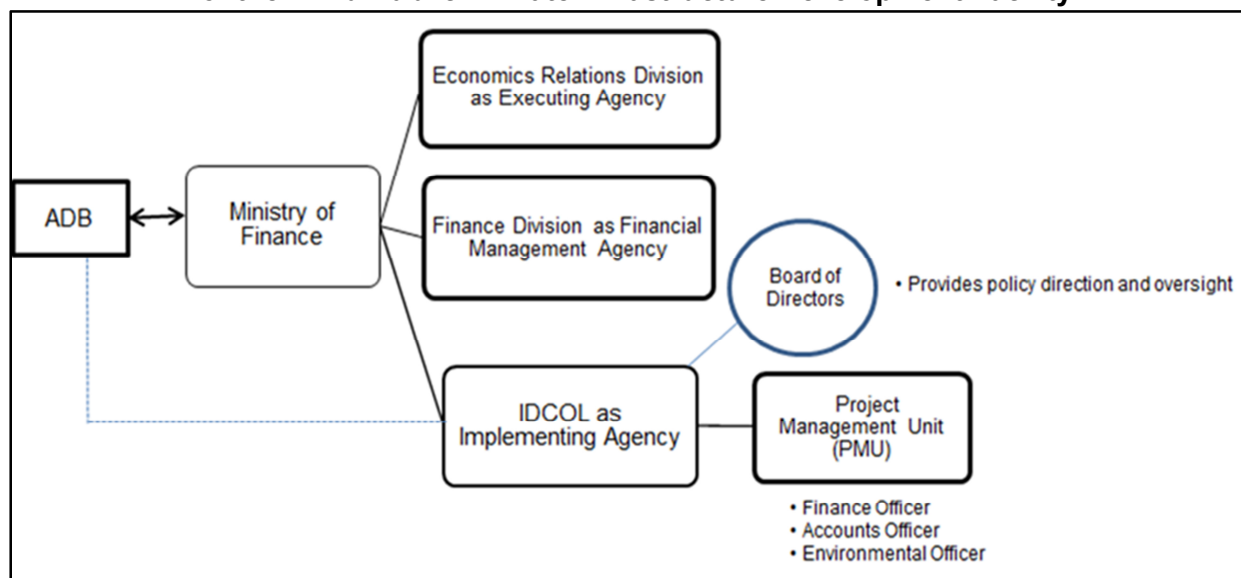
5. The Ministry of Finance, acting through its Economic Relations Division will be the executing agency while the Finance Division will be the financial management agency, and IDCOL will be the implementing agency. The Board of Directors of IDCOL will provide policy direction and strategic oversight. A project management unit (PMU) will be established by IDCOL to monitor the screening and selection of subprojects and the day-to-day implementation of PPIDF 3. The PMU will be responsible for identification, screening, selection, and monitoring of all subprojects, and in ensuring compliance to applicable laws and regulations of the Government on environment, involuntary resettlement (IR), and indigenous peoples (IP), and the ESSF (2011 or its revisions).

6. The PMU will consist of existing IDCOL staff to the extent possible with expertise on risks assessment and project management. IDCOL has an existing environmental and social safeguards management unit (ESSMU) who will provide the technical support on safeguards to the PMU in reviewing and evaluating subprojects. At present, the ESSMU has two senior level safeguards staff and will engage another staff to manage the social dimensions including gender issues associated with the progressive lending portfolio of IDCOL. In addition, the PMU

⁴ Framework financing agreement is the basic understanding between the client and ADB with respect to an MFF (ADB OM Section D14/OP, 17 February 2015).

will be responsible for developing and implementing a project performance monitoring system. The figure below shows the implementation arrangements.

Implementation Arrangements of the Third Public–Private Infrastructure Development Facility



Source: Infrastructure Development Company Limited.

2.0 Policy and Legal Framework and Institutional Capacity

2.1. Development of Environmental and Social Safeguards Framework of Infrastructure Development Company Limited

7. With support from ADB under the PPIDF 1, IDCOL prepared an ESSF in 2008 to meet the environmental and social requirements of ADB and the Government. At that time, the safeguard policies of ADB include the Environment Policy 2002,⁵ the Policy on Involuntary Resettlement 1995,⁶ and Policy on Indigenous Peoples 1998⁷ while the main environmental and social legal frameworks of the Government include the following:

Environment

- Environment Conservation Act of 1995 provides for the protection of the environment, improvement of environmental standards, and the control and abatement of environmental pollution. This Act authorizes the Department of Environment (DOE) under the Ministry of Environment and Forests to undertake any activity essential to conserve and enhance the quality of environment and to control, prevent, and mitigate pollution.
- Environment Conservation Rules of 1997 (adopted under the provision of Environment Conservation Act 1995 and amended in 2002 and 2003) provides rules related to the declaration of ecologically-critical areas, obtaining environmental clearance certificate, environmental quality standards, acceptable

⁵ ADB. 2002. Environment Policy of the Asian Development Bank. Manila.

⁶ ADB. 1995. Involuntary Resettlement. Manila.

⁷ ADB. 1998. The Bank's Policy on Indigenous Peoples.

limits for discharges of waste, and environmental guidelines on pollution prevention.

Land acquisition and resettlement

- The Bangladesh Constitution 1972 (Articles 42 and 47) sets forth the basic principles of property compensation while the Land Acquisition Act 1894, and the Acquisition and Requisition of Immovable Property Ordinance (ARIPPO) 1982 (amended in 1994, 1995, and 2004) are regulations being enforced by the Revenue Department. This ordinance supersedes Land Acquisition Act 1894 and is the current legislation and guidelines on acquisition and requisition of land involving legal property owners who are supported by ownership documents such as deeds, title, or agreements to be eligible for compensation under the law.

Indigenous peoples

- Articles 11, 19, and 28 of the Bangladesh Constitution 1972 provide for the protection of the fundamental rights of all citizens which include IP. Article 23 and 24, specifically, provide for the protection of the cultural tradition of IP. The *Chhoto Nagpur Tenancy Act* of 1908 allows for (i) individual ownership of lands to ethnic communities by which transfer of tribal land to non-tribal people without the permission of the Deputy Commissioner would be illegal; (ii) free to profess and practice their religions and develop their own culture, and (iii) *Adivasi* right to protect their own land.⁸

8. In June 2009, ADB introduced SPS 2009 defining the policy objectives, scope and triggers, and principles for three key safeguard areas: environment, IR, and IP. Then on 30 January 2011, the Bangladesh Bank issued the guidelines on environmental risk management integrating environmental risk management practice into credit risk management procedures. Bangladesh Bank requires banks and financial institutions to adopt the environmental risk management practices in a formal and structured manner in line with global norms. This requirement aims to protect financing from the risks of a deteriorating environment and to ensure sustainable banking practices.

9. In order to be consistent with SPS 2009 and to comply with the requirements of Bangladesh Bank, IDCOL revised and updated in 2011 the ESSF 2008 with support from ADB.⁹ IDCOL adopted ESSF 2011 for the review and assessment of subprojects under PPIDF 2.¹⁰

10. Three power plants and two information technology-related subprojects have been funded by IDCOL through the PPIDF 1 while in the ongoing PPIDF 2, one power plant and one port terminal subprojects have been financed. Aside from these subprojects, both the PPIDF 1 and PPIDF 2 included financing for solar home systems (SHSs) and other RE subprojects.

⁸ *Adivasi* are groups referred to by international organizations as indigenous peoples can be referred to in Bangladesh as ethnic minorities or *adivasi*(s). *Adivasi* is the term employed in the draft "National Policy on Involuntary Resettlement and Rehabilitation, 2008." *Adivasis* in Bangladesh include Chakmas and other groups in the Chittagong Hills, Garos in Madhupur Forest, Khasis in Sylhet, Rakhains in Cox's Bazar and/or Patuakhali and Santhals in Rajshahi and/or Dinajpur and other smaller communities in the country

⁹ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Supplementary Grant and Administration of Supplementary Grant to the People's Republic of Bangladesh for the Public-Private Infrastructure Development Facility*. Manila.

¹⁰ Infrastructure Development Company Limited. 2011. *Environmental and Social Safeguards Framework: Policy and Procedures*. <http://idcol.org/download/1d8514287c3e7cda76423b33a781f79c.pdf>

PPIDF 1 provided \$33 million (Component C) and PPIDF 2 earmarked \$10 million (Component 2).

11. As of July 2016, about 4 million SHSs have been installed by IDCOL as off-grid RE program since it was launched in 2003 under the Rural Energy and Renewable Energy Development (RERED) Project by the World Bank.¹¹ PPIDF 1 contributed 330,362 SHSs. PPIDF 3 will also fund small- to medium-scale RE subprojects excluding SHSs due to availability of funding from donor partners of IDCOL like the World Bank, Japan International Cooperation Agency (JICA), and the KfW.

12. By April 2016, about 42,800 biogas plants, 18 solar photovoltaic-based minigrids, and 459 solar irrigation pumps have been financed by IDCOL through funds from ADB, World Bank, KfW, and JICA. All the subprojects funded by IDCOL went through a rigorous screening and assessment procedures following the ESSF 2011 (and the previous ESSF 2008). However, given the type and scale of RE subprojects, IDCOL adopted the environmental and social management framework (ESMF) for their RE program which built upon the requirements of RERED (approved in June 2002) and RERED II (approved in September 2012) of the World Bank. The ESMF 2014, which now incorporates the requirements of the World Bank, ADB, JICA, and KfW provides the procedures, management measures, monitoring, and reporting to ensure due diligence of subprojects included in the RE development program of IDCOL.¹²

13. Following the ESSF, annual environmental and social compliance audit is being conducted by ESSMU on their infrastructure projects considered as high risk and moderate risk. Thus far, there has been no major breach from the requirements set forth by IDCOL to their project proponents through the ESSF. Based on the audits, relevant issues identified were adequacy of emergency response planning, revisions to existing environmental health and safety (EHS) guidelines, proper use of personal protective equipment by workers, noise level during construction phase, sustained implementation of good housekeeping and environmental monitoring, and regular consultations to people living close to project sites as well as awareness of the grievance redress mechanism. These concerns were addressed by implementing a time-bound corrective action plan (CAP) in consultation with the project proponent and monitored by ESSMU to ensure compliance.

14. Similar to ESSF, the implementation of the ESMF for the RE program is also monitored by ESSMU. Through ESMF, IDCOL developed policy guidelines to facilitate the disposal of warranty-expired batteries in an environment-friendly fashion. IDCOL's battery recycling policy and guidelines requires the battery suppliers and recyclers to be compliant with the requirements of ISO 14001:2004 (environmental management system) and OHSAS 18001:2007 (occupational health and safety management standard). IDCOL monitors the EHS compliance of the battery recycling plants involved in their RE program semi-annually, and builds the capacity of battery suppliers, manufacturers, and recyclers through quarterly awareness training on the importance of EHS. ESSMU also arranges quarterly meetings for battery suppliers and recyclers where they present their quarterly EHS Compliance Report as well as regular factory site visits to assess progress in meeting ESMF, ISO 14001:2004, and OHSAS 18001:2007. The implementation of ESSF and ESMF has ensured that subprojects

¹¹ World Bank. Rural Electrification and Renewable Energy Development. <http://www.worldbank.org/projects/P071794/rural-electrification-renewable-energy-development?lang=en&tab=overview>.

¹² Infrastructure Development Company Limited. 2014. *Bangladesh: Rural Electrification and Renewable Energy Development Project II (Updated Environmental and Social Safeguard Framework)*. <http://idcol.org/download/e26ae795489e5b7351aed40e044553a2.pdf>

financed by IDCOL meet the safeguards requirements of the Government, ADB, and other multilateral financing institutions.

15. Subprojects under the PPIDF 3 will be evaluated according to ESSF 2011 until revisions are incorporated which will be done as part of the proposed ADB technical assistance (TA).¹³ While still aligned with SPS 2009, ESSF 2011 will be reviewed through the TA to streamline procedures on the assessment and evaluation of subprojects considered for funding and the organizational set-up of IDCOL in relation to safeguards, to incorporate the draft guidelines of Bangladesh Bank on environmental and social risk management (ESRM) for banks and financial institutions (June 2015), and to accommodate the proposed market expansion on infrastructure finance through take-out financing to be introduced in PPIDF 3. The ESRM guidelines (June 2015) expands the scope of social assessments introducing a robust and quantitative scoring methodology to improve the estimation of the environmental and social risks, and credit risks.¹⁴ In line with the Bangladesh Bank requirements, IDCOL needs to continue including ESRM as part of its loan approval and monitoring process. As it was done under PPIDF 1 and 2, all loans will undergo a screening process and due diligence in relation to their environmental and social risks.

2.2. Infrastructure Development Company Limited as the Implementing Agency

16. Established on 14 May 1997 by the Government, IDCOL was licensed by Bangladesh Bank as a nonbank financial institution on 5 January 1998. IDCOL aims to facilitate economic development and to improve standard of living through sustainable and environment-friendly investments.

17. Since its inception, the core areas of business that IDCOL has been involved with include (i) financing small, medium, and large infrastructure projects; (ii) refinancing nongovernment organizations and/or microcredit financing institutions' credits to promote RE projects; (iii) providing financial advisory services to both financial institutions and project sponsors and/or borrowers; and (iv) organizing training courses on project finance, financial modeling, and environmental and social safeguards.

18. Aside from ESSF 2011, IDCOL has an environmental and social policy statement approved by its Board of Directors and is compatible with the objectives of SPS 2009 (see Box A). The ESSMU of IDCOL provides technical support to large infrastructure and RE units on safeguards in reviewing and assessment of subprojects according to ESSF 2011. At present, ESSMU has two senior level safeguards staff and—depending on the results of the needs assessment carried out under the TA piggybacked to PPIDF 3—might engage another staff to manage the social dimensions including gender issues. Presently, one safeguards staff reports to the large infrastructure unit head while the other safeguards staff reports to RE unit head.

Box A

Environmental and Social Policy Statement of the Infrastructure Development Company Limited's Environmental and Social Safeguards Framework

The Infrastructure Development Company Limited (IDCOL) has a mandate of financing private sector

¹³ Proposed technical assistance of \$750,000 from the Financial Sector Development Partnership Special Fund of the Government of Luxembourg.

¹⁴ Bangladesh Bank. 2015. *Guidelines on Environmental and Social Risk Management for Banks and Financial Institutions (draft)*. https://www.bb.org.bd/aboutus/draftguinotification/guideline/esrm_bankfi_draftv.pdf

Box A

for developing medium- to large-scale infrastructure and renewable energy projects in Bangladesh. IDCOL recognizes the significance of environmental, health and/or safety, and social considerations in infrastructure development and believes in sustainable development. In order to achieve the above, IDCOL is committed to:

- (i) Mainstream considerations with respect to environmental, health and/or safety, and social (E&S) issues in appraising and financing infrastructure projects to avoid and/or minimize adverse impacts and risks to the environment and people that may be affected;
- (ii) Ensure compliance with all relevant E&S policy and legislative requirements and laws of the land with which it engages and remain responsive to the E&S requirements of international best practices;
- (iii) Avoid and/or minimize land acquisition and resettlement through selection of appropriate locations and design of projects;
- (iv) Where land acquisition is unavoidable, compensate replacement value of such acquired land and/or property will be paid before displacement or replace with land having equal value and quality together with other facilities such as housing and basic infrastructure facilities; and
- (v) Ensure protection of vulnerable groups, such as the economically and socially disadvantaged, women, children, physically-handicapped, and indigenous peoples and take appropriate measures to restore their livelihood as relevant.

3.0 Subproject Selection Criteria of the Third Public–Private Infrastructure Development Facility

19. Schedule 4 of the FFA describes the subproject selection criteria that will be followed for the succeeding tranches of PPIDF 3. In addition, the following will be considered:

- (i) The subproject in direct lending and take-out financing complies with SPS 2009, and national laws and regulations on environment, IR, and IP applicable at the date the relevant periodic financing request (PFR) is submitted;
- (ii) The subproject is not likely to be classified as category A on environment, IR, and IP according to SPS 2009;
- (iii) The subproject was prepared in compliance with Schedule 5 of the FFA (poverty and social dimensions and safeguard requirements); and
- (iv) No land acquisition will be financed under PPIDF 3. If land is made available through direct purchase, leasing, or government-owned, it will be screened to ensure that no physical or economic displacement of persons will take place.

20. IDCOL will continue to ensure that ADB funds will not be applied to activities described in the ADB Prohibited Investment Activities List, Appendix 5 of SPS 2009 (see Annex 1).

4.0 Environmental and Social Safeguards Framework 2011

21. This section provides a summary of procedures according to ESSF 2011.¹⁵ Since there have been no changes in SPS 2009 since its full implementation in January 2010 along with the relevant environmental and social safeguards regulation by the Government, these procedures are still valid in terms of meeting the requirements of ADB. Subprojects under PPIDF 3 will be assessed and reviewed according to the current ESSF 2011 following the subproject selection criteria outlined in the FFA and in Section 3.0 of this ESSF arrangement. Aside from this, appropriate loan covenants will be included in each subloan agreement to ensure full

¹⁵ Infrastructure Development Company Limited. 2011. *Environmental and Social Safeguards Framework: Policy and Procedures*. <http://idcol.org/download/1d8514287c3e7cda76423b33a781f79c.pdf>

compliance with SPS 2009. Further strengthening of the ESSF will be done under the TA piggybacked to PPIDF 3 to incorporate the relevant requirements of Bangladesh Bank in the proposed ESRM 2015 and to streamline procedures in the review and assessment of subprojects.

4.1. Objectives

22. Broadly, the ESSF aims for the following:

- (i) Assess infrastructure projects to be considered for funding for their potential environmental and social (E&S) impacts at the early stage of project cycle or IDCOL's entry in the project whichever is applicable;
- (ii) Identify and fulfill all E&S obligations put forth by various external stakeholders (government institutions and global financial institutions [GFIs] such as ADB, World Bank, and International Finance Corporation);
- (iii) Ensure E&S legal compliance of the projects;
- (iv) Influence and mandate (as relevant) clients and downstream agencies to ensure legal compliance and manage E&S risks; and,
- (v) Define and outline policies, procedures, roles, and responsibilities for managing impacts, risks, and effects on environment, IR, and *adivasi* (IP) (Footnote 8) of subprojects that are financed by IDCOL.

23. The ESSF is applicable to all components and subprojects financed from ADB resources as well as well as other funds operated by IDCOL, through direct lending and refinance operations to both public and private sector companies at project and programmatic levels.

4.2. Structure

24. The ESSF of IDCOL is structured as follows:

- (i) Integrated E&S policy
- (ii) Screening
 - project screening based on the list of prohibited activities of ADB
 - E&S risk rating for the project
- (iii) Operational procedures for risk mitigation and control
- (iv) Institutional structure for operation of the ESSF including allocation of roles and responsibilities
- (v) Advisory panel of experts to guide the ESSMU
- (vi) Capacity development plan at IDCOL for continued strengthening
- (vii) Annual E&S auditing and reporting
- (viii) Updating of ESSF based on feedback and experience of its application to projects.

4.3. General Operational Procedures for Environmental Safeguard Framework and Social Safeguard Framework

25. The following procedures will be applicable to PPIDF 3 (Tranche 1 and Tranche 2) including other IDCOL funds and shall be implemented by ESSMU in coordination with the investment and loan teams.

- (i) Know-Your-Client (KYC) meeting

- (ii) Prohibited investment activities list
- (iii) Proposed E&S risk rating system

4.3.1. Operational Procedures of Environmental Safeguard Framework

A. New or Greenfield Projects

4.3.1.1. High risk projects

26. For new projects categorized as high risk, the following procedures shall be followed:

- (i) ESSMU must visit the project area.
- (ii) The project proponent shall submit the initial environmental examination (IEE) checklist to IDCOL that was submitted to DOE while applying for locational clearance certificate (LCC).
- (iii) ESSMU shall prepare a preliminary environmental appraisal report (PEAR) based on the risk rating, site visit, and IEE checklist. The PEAR shall also consist of conditions precedent and subsequent to disbursement. The ESSMU shall discuss these conditions with the project proponent and obtain an "in-principle" agreement before sending the same to IDCOL's Board for approval. The PEAR shall be sent also to ADB for approval before IDCOL approves the loan.
- (iv) The conditions to be incorporated in the PEAR shall, in addition, include the following:
 - The environmental impact assessment (EIA) shall be prepared based on ADB's safeguard requirements along with the terms of reference from DOE included during the submission of the IEE required for LCC. The environmental management plan (EMP) shall include mitigation measures for the key issues identified in the applicable sector.
 - Once IDCOL issues the preliminary letter of support (PLS) and letter of engagement, ESSMU shall conduct a detailed environmental appraisal based on the EIA and EMP report submitted by the project proponent.
 - The EIA and EMP shall be submitted by ESSMU also to ADB for approval.
 - The requirements of IDCOL ESSF on the Government's legal compliance, implementation of EMP, monitoring, reporting, information disclosure, and grievance redress mechanism shall be included in the loan documentation as covenants. The project proponent shall submit to IDCOL the LCC from DOE before loan disbursement.
 - Upon completing the construction of the project and obtaining the environmental clearance certificate (ECC) from DOE, the project proponent shall submit the same to IDCOL.
 - The project proponent shall submit semi-annual monitoring reports on EMP implementation to IDCOL.

4.3.1.2. Moderate risk projects

27. For new projects categorized as moderate risk, the following procedures shall be followed:

- (i) ESSMU shall conduct a desk review of the environmental section of the loan application form.

- (ii) The project proponent shall submit the IEE checklist to IDCOL that was submitted to DOE while applying for LCC.
- (iii) ESSMU shall prepare a PEAR based on the risk rating, desk review, and the IEE checklist. The PEAR shall also consist of conditions precedent and subsequent to disbursement. The ESSMU shall discuss these conditions with the project proponent and obtain an “in-principle” agreement before sending the same to IDCOL’s Board for approval.
- (iv) The conditions to be incorporated in the PEAR shall, in addition, include the following:
 - IEE shall be prepared based on ADB’s safeguard requirements.
 - The EMP shall include mitigation measures for the key issues identified in the applicable sector.
- (v) Once IDCOL issues the PLS and letter of engagement, ESSMU shall conduct a detailed environmental appraisal based on the IEE and EMP submitted by the project proponent.
- (vi) The IEE and EMP shall also be submitted by ESSMU to ADB for information.
- (vii) The requirements of IDCOL ESSF on the Government’s legal compliance, EMP implementation, monitoring, reporting, information disclosure, and grievance redress mechanism shall be included in the loan documentation as covenants.
- (viii) The project proponent shall submit to IDCOL the LCC from DOE before loan disbursement.
- (ix) Upon completing the construction of the project and obtaining the ECC from DOE, the project proponent shall submit the same to IDCOL.
- (x) The project proponent shall submit to IDCOL annual monitoring reports on the implementation of EMP.

4.3.1.3. Low risk projects

28. For new projects categorized as low risk, the following procedures shall be followed:
- (i) The ESSMU shall prepare a PEAR based on review of the loan application form and risk rating.
 - (ii) The project proponent shall submit to IDCOL the LCC and/or ECC from DOE before loan disbursement.
 - (iii) The requirements of IDCOL ESSF on the Government’s legal compliance, EMP implementation, monitoring, reporting, information disclosure, and grievance redress mechanism shall be included in the loan documentation as covenants, if any.
29. All new project agreements between the project proponent (sponsor) and the contractor shall include a prohibition of harmful or exploitative forms of forced and child labor or use of unbonded asbestos fiber during the construction period.

B. Refinancing and/or Existing Projects in Advanced Stage

30. **High risk projects.** The following procedures shall be followed:
- (i) The project proponent shall submit to IDCOL the EIA and EMP as well as the LCC and ECC granted by DOE.
 - (ii) ESSMU shall, in addition, visit the project area to check the status of implementation and compliance with the EMP.

- (iii) ESSMU shall prepare a PEAR based on the risk rating, site visit, and review of EIA and EMP. The PEAR shall also consist of conditions precedent and subsequent to disbursement. ESSMU shall discuss these conditions with the project proponent and obtain an “in-principle” agreement before sending the same to IDCOL Board for approval. The PEAR shall also be sent by ESSMU to ADB for approval before IDCOL Board approves the loan.
- (iv) The conditions to be incorporated in the PEAR shall, in addition, include the following:
 - EIA and EMP shall be reviewed by IDCOL based on safeguard requirements of ADB
 - An environmental due diligence report (EDDR) and CAP shall be prepared by ESSMU based on the review of EIA, EMP, and site visit. The CAP shall be implemented by the project proponent.
- (v) Once IDCOL issues the PLS and letter of engagement, ESSMU shall conduct environmental due diligence and prepare the CAP appraisal based on the EIA and EMP submitted by the project proponent and additional site visit, where required.
- (vi) The EDDR and CAP shall also be submitted by ESSMU to ADB for approval.
- (vii) The requirements of IDCOL ESSF on the Government’s legal compliance, implementation of CAP, monitoring, reporting, information disclosure, and grievance redress mechanism shall be included in the loan documentation as covenants.
- (viii) Upon completing the construction of the project and obtaining ECC from DOE, the project proponent shall submit the same to IDCOL.
- (ix) The project proponent shall submit to IDCOL semi-annual monitoring reports on implementation of CAP.

31. **Moderate risk projects.** The following procedures shall be followed:

- (i) The project proponent shall submit to IDCOL the IEE and EMP as well as the LCC and ECC granted by DOE.
- (ii) ESSMU shall conduct a desk review of the environmental section of the loan application form.
- (iii) ESSMU shall prepare a PEAR based on the risk rating, desk review, IEE and EMP. The PEAR shall also consist of conditions precedent and subsequent to disbursement. The ESSMU shall discuss these conditions with the project proponent and obtain an “in-principle” agreement before sending the same for approval of IDCOL Board.
- (iv) The conditions to be incorporated in the PEAR shall in addition include the following:
 - IEE and EMP shall be reviewed by IDCOL based on ADB’s safeguard requirements.
 - An EDDR and CAP shall be prepared by ESSMU based on the review of IEE and EMP. The CAP shall be implemented by the project proponent.
- (v) Once IDCOL issues the PLS and letter of engagement, ESSMU shall conduct environmental due diligence and prepare the CAP appraisal based on the IEE and EMP submitted by the project proponent.
- (vi) The EDDR and CAP shall also be submitted by ESSMU to ADB for information.
- (vii) The requirements of IDCOL ESSF on the Government’s legal compliance, implementation of CAP, monitoring, reporting, information disclosure, and

grievance redress mechanism shall be included in the loan documentation as covenants.

- (viii) Upon completing the construction of the project and obtaining ECC from DOE, the project proponent shall submit the same to IDCOL.
 - The project proponent shall submit to IDCOL annual monitoring reports on the implementation of CAP.

32. **Low risk projects.** The following procedures shall be followed:

- (i) ESSMU shall prepare a PEAR based on review of the loan application form and risk rating.
- (ii) The project proponent shall submit to IDCOL the LCC and/or ECC from DOE before loan disbursement.
- (iii) The requirements of IDCOL ESSF on the Government's legal compliance, implementation of EMP, monitoring, reporting, information disclosure, and grievance redress mechanism shall be included in the loan documentation as covenants, if any.

33. All refinanced projects agreements between the project proponent (sponsor) and the contractor shall include a prohibition of harmful or exploitative forms of forced and child labor or use of unbonded asbestos fiber during the construction period.

4.3.2. Operational Procedures of Social Safeguards Framework

A. New Projects

4.3.2.1. High and moderate risk projects

34. All subprojects that have not yet received a PLS from IDCOL, at the time of ADB's loan effectiveness, are considered as new projects. This case will represent situation of regular project processing and monitoring. The procedural steps for this case are set out below:

- (i) Brief the project proponent on the ESSF during the KYC meeting. Explain the environmental and social safeguard policy requirements in the completion of the loan application form.
- (ii) In preparing loan application, it is strongly advised that the subproject proponent be familiar with the environmental and social policy requirements of the Government.
- (iii) ESSMU technical expert shall visit the project area.
- (iv) ESSMU will review the feasibility report and detailed design of the project, and other relevant documents submitted by the project proponent before the site visit.
- (v) The site visit will comprise of project-specific observations, focus group discussions (FGDs), and key informant discussions with all project-related primary and secondary stakeholders.
- (vi) ESSMU shall prepare an initial poverty and social assessment (IPSA) describing general socioeconomic features of the project-influenced people including the existing poverty level relevant to them. In addition, this assessment will include gender-related information of project-influenced and/or affected people and potential project impact on reducing poverty and other social inequalities.
- (vii) The IPSA will contain basic social impact screening checklists for IR and IP.
- (viii) The IPSA shall also be sent by ESSMU to ADB and other GFIs, if required.

- (ix) An approval shall be obtained from the GFIs (if relevant) before loan approval from IDCOL.
- (x) Based on categorization of project impacts on project influenced and/or affected people, the following reports shall be prepared by the project proponent;
 - resettlement plan (RP)
 - *adivasi* development plan (ADP)
- (xi) The social impact assessment (SIA) is a technical report prepared at the instruction of the lenders and prepared on behalf of the project proponent. The SIA will report the results of the social impacts, focusing on the likely IR effects and impacts on *adivasis* of the proposed subproject. The SIA will be based on quantitative and qualitative project site investigations by a qualified social science professional. The extent of the SIA will be proportionate to the expected IR and impacts on *adivasis*, as indicated by the initial screening of the preliminary project appraisal. Based on the impacts, a resettlement entitlements matrix shall be prepared by the project proponent.
- (xii) The project proponent will submit the required social safeguard reports to ESSMU for review and all finalized report(s) shall be submitted to IDCOL for approval.
- (xiii) Approved RP and ADP shall be sent by ESSMU to ADB and other GFIs (if required).
- (xiv) Once the loan sanction letter is issued, all approved reports by IDCOL, ADB, and other GFIs (if required) shall be posted in their websites for information disclosure.
- (xv) Monitor whether the conditionalities have been met, especially on approvals of RP and/or ADP have been achieved. For projects with an RP and/or ADP, monitoring will be done quarterly. Project proponent will make the social monitoring reports available to affected people. Social monitoring reports will be sent by ESSMU to ADB for disclosure to its website.
- (xvi) Continue monitoring progress on the subproject through monitoring reports received from the project proponent. Conduct field visits, if required.

4.3.2.2. Low risk projects

- (i) Brief the project proponent on the ESSF during the KYC meeting. Explain the environmental and social safeguard policy requirements in the completion of the loan application form.
- (ii) In preparing the loan application, it is strongly advised that the subproject proponent be familiar with the environmental and social policy requirements of the Government.
- (iii) ESSMU technical expert shall visit the project area.
- (iv) ESSMU will review the feasibility report and detailed design of the project, and other relevant documents submitted by the project proponent before the site visit.
- (v) The site visit will comprise of project-specific observation, FGDs, and key informant discussions with all project-related primary and secondary stakeholders.
- (vi) ESSMU shall prepare an IPSA describing the general socioeconomic features of the project-influenced people including the existing poverty level relevant to them. In addition, this assessment will include gender-related information of project influenced and/or affected people and potential project impact on reducing poverty and other social inequalities.
- (vii) The IPSA will contain basic social impact screening checklists for IR and IP.

- (viii) The IPSA shall be sent by ESSMU to ADB and other GFIs (if required).
- (ix) An approval shall be obtained from the GFIs (if relevant) before loan approval from IDCOL.
- (x) Once the loan sanction letter is issued, all approved reports by IDCOL, ADB, and other GFIs (if required) shall be posted in their websites for information disclosure.
- (xi) Monitor whether the conditionalities have been met. The project proponent will make social monitoring reports available to affected people. Social monitoring reports will be sent by ESSMU to ADB for disclosure to its website.
- (xii) Continue monitoring progress on the subproject through monitoring reports received from the project proponent. Conduct field visits, if required.

B. Refinancing and/or Existing Projects in Advanced Stage

35. All subprojects that have already received the PLS from IDCOL but have not yet received final loan approval by the IDCOL Board of Directors at the time of ADB loan effectiveness. This case will be transitional. For such projects, the process will be essentially of due diligence and would be as follows:

36. High and moderate risk projects

- (i) ESSMU will review the feasibility report and detailed design of the project, and other relevant documents submitted to IDCOL by the project proponent before the site visit.
- (ii) ESSMU shall review all social safeguard reports—IPSA, RP, and ADP (if available) to determine compliance to social safeguards requirements.
- (iii) ESSMU technical expert shall visit the project area.
- (iv) The site visit will comprise of project-specific observation, FGDs, and key-informant discussions with all project-related primary and secondary stakeholders.
- (v) ESSMU shall determine the gaps between the contents of social safeguards documents and the measures taken by the project proponent.
- (vi) Based on the site visit, a social due diligence report (SDDR) shall be prepared by ESSMU for approval by the IDCOL Board. The approved SDDR shall be sent to ADB.
- (vii) If there is a substantial gap between the contents of the social safeguards reports and the actual project situation, a CAP shall be prepared by ESSMU in consultation with the project proponent.
- (viii) The project proponent will endorse the CAP before submitting to IDCOL for Board approval.
- (ix) Once approved by IDCOL, the CAP shall be sent by ESSMU to ADB and the project proponent will implement the CAP.
- (x) All reports approved by IDCOL and ADB will be disclosed to their websites.
- (xi) Monitor compliance of the project proponent to conditionalities and implementation of the CAP. The project proponent will submit social monitoring reports to IDCOL at least once a year and will make them available to affected people, if required. Social monitoring reports will be submitted by ESSMU to ADB for disclosure to its website. ESSMU will conduct site visits, if needed.

37. **Low risk projects**

- (i) Prior to site visits, ESSMU will review the feasibility report and detailed design of the project, and other relevant documents submitted to IDCOL by the project proponent.
- (ii) ESSMU shall review all social safeguard reports—IPSA, RP, and ADP (if available) to determine any compliance issues.
- (iii) ESSMU technical expert shall visit the project area. The site visit will comprise of project-specific observation, FGDs, and key informant discussions with all project-related primary and secondary stakeholders.
- (iv) ESSMU shall determine any gaps between the contents of social safeguards reports and measures taken by the project proponent.
- (v) If no substantial gap was found, an SDDR shall be prepared by ESSMU for approval by IDCOL Board. The approved SDDR will be sent to ADB.

4.4. **Consultation and Disclosure**

4.4.1. **Public Consultation**

38. **Consultation during environmental assessment.** Public consultation is only required by DOE for red category projects (i.e., may cause significant adverse environmental impacts). With ESSF, public consultation will be conducted according to the requirements of ADB's SPS 2009 for "high risk" and "moderate risk" projects.

39. **New projects.** For high risk and moderate risk projects, public consultation shall be conducted at the scoping stage of the environmental assessment process to identify concerns and/or issues by potentially affected people, and again after the preparation of the draft EIA and/or IEE (prior to appraisal by IDCOL) just before receipt of LCC from DOE.

40. **Refinance and/or existing projects at an advanced stage.** For high risk and moderate risk projects, public consultations shall be carried out during implementation of EMP. Results and/or outcome of consultations will be incorporated into the revised EMP or CAP (if required).

41. **Consultation for IR and IP.** For all new projects, the project proponent will conduct meaningful consultations with affected persons, their host communities, and civil society for every project and subproject identified as having IR and IP impacts. During consultations, the project proponent or their consultants will follow qualitative methods (i.e., focus group discussions, etc.) simultaneously with other consultation methods.

4.4.2. **Information Disclosure**

42. **Disclosure for environmental assessment.** For new projects, ESSMU shall submit the following documents to ADB for disclosure to its website:

- (i) For high risk projects, a draft EIA including EMP at least 120 days prior to ADB Board consideration;
- (ii) The final EIA and/or IEE;
- (iii) A new or updated EIA and/or IEE and CAP prepared during project implementation, if any; and
- (iv) Environmental monitoring reports submitted by the project proponent semi-annually during construction phase and annually during operation phase of the

project.

43. For refinance and/or existing projects at an advanced stage, ESSMU shall submit the following documents to ADB for disclosure to its website

- (i) CAP prepared during project implementation, if any;
- (ii) EDDR, if any; and,
- (iii) Environmental monitoring reports at least annually.

44. **Disclosure for social assessment.** ESSMU shall submit the following documents to ADB for disclosure to its website:

- (i) A draft RP and/or ADP endorsed by the project proponent before project appraisal;
- (ii) The final RP and/or ADP endorsed by the project proponent after the census of affected persons has been completed;
- (iii) A revised and updated RP and/or ADP and a CAP prepared during project implementation, if required; and
- (iv) Social monitoring reports submitted by the project proponent semi-annually during construction phase and annually during operation phase.

45. These documents will be posted to IDCOL's website as well as that of the project proponent, if they have a website. IDCOL will dedicate a page for disclosure of documents relevant to ESSF.

46. The project proponent will provide relevant resettlement information, including information from the abovementioned documents in a timely manner, in an accessible place, and in a form and language(s) understandable to affected persons and other stakeholders.

4.5. Grievance Redress Mechanism

47. The project proponent shall constitute a three-member grievance redress committee (GRC) consisting of an officer from the project proponent, not below the rank of the implementing officer, an elected member (local body) of the project area, and one member from the public who is known to be a person of integrity, good judgment, and commands respect among the members of the community. The existence of the grievance redress committee will be disseminated to the affected persons through printed handouts providing details on the structure and process of grievance redress.

48. The project proponent will document all complaints received, the action taken on each of them, and send a report of the same every quarter to the ESSMU which shall also be communicated to ADB through the monitoring reports. The grievance redress committee will address grievances on safeguards during construction and operation phase and will be scaled depending on the risks and adverse impacts of the project.

4.6. Monitoring and Reporting

49. The project proponent will submit safeguards monitoring report (i.e., ENV, IR, IP) quarterly, semi-annually, and annually to IDCOL on implementation of EMP, RP, ADP, and CAP (if required). The monitoring report shall be sent to ADB for disclosure semi-annually during construction and annually during operation.

50. ESSMU at IDCOL shall promptly report to ADB any actual or potential breach of compliance requirements after it comes to their notice. For high risk projects, ESSMU or hired independent E&S consultants shall visit the site to monitor implementation of EMP/CAP/RP/ADP. Social consultants with expertise on monitoring IR and impacts to *adivasis* will be engaged (if needed)

51. ESSMU shall hire independent E&S consultants to conduct the annual audit of IDCOL's ESSF implementation. ESSMU will prepare an annual E&S performance report based on the annual ESSF audit and the monitoring reports from the project proponents. The annual E&S performance report will be submitted to ADB.

52. IDCOL shall establish and maintain a database of nonperforming loans due to safeguards issues. A summary of findings from the ESSF annual audit will be included in the annual report of IDCOL.

4.7. Roles and Responsibilities

4.7.1. Environmental and Social Safeguards Management Unit

53. ESSMU will provide technical support in evaluating subprojects through the following:

- (i) Participate in the KYC meetings with clients.
- (ii) Advise project proponent on completing the environmental and social section of the loan application form.
- (iii) Review of loan application form to draw indicative term sheet.
- (iv) Safeguards categorization of the project.
- (v) Preparation of the PEAR.
- (vi) Issue terms of reference for conducting the EIA/IEE/EDDR/CAP/SIA/RP/ADP/SDDR.
- (vii) Review EIA/IEE/EDDR/CAP/SIA/RP/ADP/SDDR submitted for a project.
- (viii) Monitor E&S compliance of project proponents during implementation including the recruitment of consultants (if needed).
- (ix) Review E&S monitoring reports on implementation of EMP, RP, ADP, and CAP.
- (x) Report progress of projects annually to ADB.
- (xi) Submit safeguards reports (i.e., EIA/RP/ADP) for projects categorized as high risk ADB for approval.
- (xii) Forward safeguards reports (i.e., EIA/IEE/EDD/CAP/RP/ADP/monitoring reports) to ADB for disclosure and information.
- (xiii) Ensure financial commitment by the project proponent for RP/ADP implementation prior to loan disbursement

54. Aside from these, ESSMU is expected to deliver the following services:

- (i) Coordinate conduct of independent annual audit of ESSF.
- (ii) Implementation of CAP for operations of IDCOL's ESSF based on annual audit.
- (iii) Prepare annual E&S performance report to be submitted to ADB.
- (iv) Coordinate with training specialists to conduct awareness and training program at IDCOL, project proponents on implementation and monitoring of EMPs, the Government's E&S policy and regulatory framework, ADB safeguards requirements, and IDCOL's ESSF.

- (v) Update ESSF based on operational experience and new regulations of the Government and/or amendments.
- (vi) Maintain ESSF page of IDCOL's website, respond to feedback received, and incorporate the same, as appropriate.

4.7.2. Project Proponent

55. The project proponents shall be responsible for ensuring compliance to relevant safeguards regulations of the Government and requirements of ADB (through the ESSF of IDCOL) with agreed milestones and performance levels particularly for purposes of disbursement of IDCOL funds. It shall send periodic safeguard progress reports in such form and, at such times, as may be prescribed by IDCOL's ESSF.

4.7.3. Asian Development Bank

56. ADB will conduct review of project implementation and will ensure that the required safeguards documents from IDCOL are posted in its website consistent to the provisions set out by SPS 2009 and Public Communications Policy 2011. ADB can provide technical guidance to PMU during the preparation of the PFR, if needed.

4.8. Environmental and Social Safeguards Framework Update

57. IDCOL will continue to conduct the annual E&S audit of the projects they finance to provide inputs to the revisions and/or update of ESSF, if required. The ESSF will be updated if there will be changes in the environmental and social policies and regulations of the Government, Bangladesh Bank, and ADB.

5.0 Revisions to the Environment and Social Safeguards Framework 2011 for Consideration through the Technical Assistance

58. While IDCOL conducts an annual audit and/or review of the ESSF, there is a need to streamline procedures and to provide clearer guidance to project proponents. Aside from this, the ESRM 2015 of the Bangladesh Bank directs the need to review ESSF 2011.

59. Recognizing the progressive portfolio of IDCOL, it is expected that streamlining of procedures will facilitate meeting the requirements of the changing business environment and the needs of their project proponents. The table below summarizes the proposed revisions, while not exhaustive, that can be considered under the ADB TA. During the TA implementation, comprehensive consultations both in-house among technical experts of IDCOL, their project proponents, and the Bangladesh Bank will be conducted to ensure that the objectives are fully achieved.

**Proposed Revisions
to the Environmental and Social Safeguards Framework 2011**

Item	Environmental and Social Safeguards Framework 2011 of Infrastructure Development Company Limited	Proposed Revisions
Scope of application	Applicable to the Second Public Private Infrastructure Development Facility (PPIDF 2)	1. To cover Tranche 1 and Tranche 2 of PPIDF 3 through direct lending and take-out financing

Item	Environmental and Social Safeguards Framework 2011 of Infrastructure Development Company Limited	Proposed Revisions
	<ol style="list-style-type: none"> 1. Component A: Financing of private sector-sponsored large infrastructure subprojects (to be funded from ADB's regular ordinary capital resources [OCR] loan) 2. Component B: Small and Medium-Sized Infrastructure subprojects (to be financed out of the concessional OCR loan). 3. Component C: Renewable Energy subprojects (to be financed out of the concessional OCR loan). 	<ol style="list-style-type: none"> 2. Describe financing of IDCOL other than PPIDF 3 where environmental and social safeguards framework (ESSF) will be applied and should be referred to in the Infrastructure Development Company Limited (IDCOL)'s environmental and social policy 3. Describe lending portfolio of IDCOL and direction of future investments where safeguards may be relevant 4. Align the design and environmental assessment of IDCOL's ESSF to follow the general International Finance Corporation [IFC] environmental health and safety [EHS] guidelines (www.ifc.org/ehsguidelines).
Subproject selection criteria	<ol style="list-style-type: none"> 1. ADB's Prohibited Investment Activities List 2. No land acquisition will be financed under the credit (para. 98, page 34) 3. IDCOL's environmental and social policy—avoid and/or minimize land acquisition and resettlement through selection of appropriate locations and design of projects 	<p>PPIDF 3</p> <ol style="list-style-type: none"> 1. Direct lending and take-out financing complies with the Safeguard Policy Statement (SPS) 2009, and national laws and regulations on environment, involuntary resettlement (IR), and indigenous peoples (IP) applicable at the date the relevant periodic financing request (PFR) is submitted; 2. Subproject is not likely to be classified as category A on environment, IR, and IP according SPS 2009; and 3. Subproject was prepared in compliance with Schedule 5 of the FFA (poverty and social dimensions and safeguard requirements) <ul style="list-style-type: none"> • Other sources of IDCOL funding <ul style="list-style-type: none"> - describe selection criteria and refer to and/or harmonize with selection criteria of PPIDF 3 (if relevant) • Include a list of selection criteria that can be commonly applied to all subprojects. For example, no subproject will be located in an environmentally-sensitive area such as a wildlife sanctuary, national park, or statutory protected area for biodiversity or ecological functions, or in critical or sensitive areas identified as cultural, archaeological, or heritage sites and monuments by relevant authorities including highly-densed urban areas and major settlements.
Safeguards categorization and/or risk rating	<p>Refers to the following:</p> <ol style="list-style-type: none"> 1. The Environmental Conservation Rules (ECR) 1997 of the Department of Energy (DOE) 	<p>Refer to the following in harmonizing and determining safeguards categorization and/or risk rating:</p> <ol style="list-style-type: none"> 1. Categorization based on SPS 2009 but

Item	Environmental and Social Safeguards Framework 2011 of Infrastructure Development Company Limited	Proposed Revisions
	<p>categorization (i.e., green, orange-A, orange-B, red)</p> <ol style="list-style-type: none"> 2. Bangladesh Bank Environmental Risk Management (January 2011) 3. Categorization based on SPS 2009 (i.e., A, B, C, and financial intermediary) 4. Capacity of proponent to manage environmental and social (E&S) risks 	<p>only for Category B and C as PPIDF 3 will not consider funding any subproject that will likely be a Category A</p> <ol style="list-style-type: none"> 2. List of pipeline subprojects that may be considered for funding through PPIDF 3 3. Provide clear rules in determining safeguards categorization to avoid subjectivity. Table 2: Project E&S Risk Rating Criteria in ESSF (pages 42–43 of ESSF 2011) can be improved to provide better guidance in categorization and risk rating 4. Bangladesh Bank Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions (June 2015) provides a qualitative and quantitative risk rating evaluation. <p>Provide clear guidance and define safeguard categorization of projects harmonizing SPS 2009, Bangladesh Bank ESRM 2015 requirements (to the extent possible), and the Government. For example, Category A or High Risk (according to ESSF) will be equivalent to Category A (based on SPS 2009), high risk (based on Bangladesh Bank), and red (based on DOE)—this project will require an environmental impact assessment (EIA, there is no major gap between the key elements of EIA based on SPS 2009 and Environment Conservation Act [ECA] 1995 and/or Environment Conservation Rules [ECR] 1997 of the Government)</p> <p>Include a section on the indicative list of projects and/or subprojects based on safeguards categorization and/or risk rating following ESSF</p>
Conduct safeguards assessment	Includes EIA/initial environmental examination (IEE)/resettlement plan (RP)/ <i>adivasi</i> development plan (ADP)/corrective action plan (CAP) as safeguards assessments for new projects and for refinance and/or existing projects at an advanced stage	<ol style="list-style-type: none"> 1. Include clear guidance on how to conduct due diligence for take-out financing 2. Define clearly and describe procedures for existing projects and associated facilities (e.g., environmental audit for existing facility)
Information disclosure	Environmental assessment <ol style="list-style-type: none"> 1. For new high risk projects <ul style="list-style-type: none"> – draft EIA 120-day prior to Board consideration – final EIA and IEE 	Environmental and social assessments <ol style="list-style-type: none"> 1. Bangladesh Bank ESRM (June 2015) does not require information disclosure but considers voluntary disclosure of environmental and social performance in

Item	Environmental and Social Safeguards Framework 2011 of Infrastructure Development Company Limited	Proposed Revisions
	<ul style="list-style-type: none"> – new or updated EIA and/or IEE and CAP prepared during project implementation, if any – environmental monitoring reports generated periodically (half-yearly and/or annually) <p>2. For refinance and/or existing projects at an advanced stage</p> <ul style="list-style-type: none"> – CAP prepared during project implementation, if any – Environmental due diligence report, if any – Environmental monitoring reports generated periodically (half-yearly and/or annually) <p>Social assessment</p> <ul style="list-style-type: none"> – draft RP and/or ADP endorsed by the project proponent before project appraisal – final RP and/or ADP endorsed by the project proponent after the census of affected persons has been completed – revised and updated RP and/or ADP and a CAP prepared during project implementation, if required – -RP and/or ADP monitoring reports <p>All documents disclosed on ADB's website shall also be disclosed on IDCOL's website where a page shall be dedicated for disclosure for ESSF.</p>	<p>E&S risk rating</p> <ol style="list-style-type: none"> 2. Reconcile SPS 2009 requirements on information disclosure with subproject selection criteria of PPIDF 3 (e.g., no land acquisition, no subproject that will likely be Category A so no EIA will be disclosed) 3. Clear guidance on the information to be disclosed. For example, social monitoring report (Semestral Report February 2014 for PPIDF) is actually an RP. In the same report, Annex 2: Evidence of Compensation Distribution and Annex 1: Crop Validation Report for Share Croppers disclosed information such as signature, thumbmark, and photos of affected persons, and bank account details. While transparency is encouraged, some personal information such as thumbmark and bank account details can be considered confidential and should not be publicly disclosed. Affected persons should be informed that this level of personal details will be publicly disclosed. <p>Provide and/or identify clear guidance on the level of details to be included in the safeguards reports for public disclosure.</p>
Monitoring and supervision	Recognizes the need for an information management mechanism to keep proper records in various forms	<ol style="list-style-type: none"> 1. Develop a database of projects under PPIDF 3 to start information management 2. Create an information system-based tracking system to monitor safeguards compliance subprojects under PPIDF 3
Organizational set-up of Environmental and Social Safeguards Management Unit (ESSMU)	<ul style="list-style-type: none"> • One senior level technical staff reports to infrastructure head and another senior level technical staff reports to renewable energy head • ESSMU be retained under the legal department as they are largely carrying out risk management on E&S issues similar to technical and financial 	<ol style="list-style-type: none"> 1. Review current organizational set-up of IDCOL to establish independence of ESSMU as advisory unit on safeguards. 2. ESSMU can report directly to the chief executive officer (CEO) or Deputy CEO of IDCOL. 3. Recruit another staff to deal with social issues and gender.

Item	Environmental and Social Safeguards Framework 2011 of Infrastructure Development Company Limited	Proposed Revisions
	and has to do so in an independent manner.	
Capacity building	ESSMU coordinates with training specialists to conduct awareness and training program at IDCOL, project proponents on implementation and monitoring of environmental management plans, the Government's E&S policy and regulatory framework, ADB safeguard policies, and IDCOL's ESSF.	<ol style="list-style-type: none"> 1. Develop training program for project proponents and IDCOL staff involved in project processing on topics such as safeguards requirements and compliance. 2. Develop safeguards training manual. 3. Prepare a brief primer on the environmental and social requirements of IDCOL to guide the project proponents on how best to manage the impacts and risks of the subprojects and compliance to ESSF (2011 or its revisions).

Source: Asian Development Bank.

PROHIBITED INVESTMENT ACTIVITIES LIST¹

The following do not qualify for Asian Development Bank financing:

- (i) production or activities involving harmful or exploitative forms of forced labor² or child labor;³
- (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 phase-out or bans, such as (a) pharmaceuticals,⁴ pesticides, and herbicides,⁵ (b) ozone-depleting substances,⁶ (c) polychlorinated biphenyls⁷ and other hazardous chemicals,⁸ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁹ and (e) transboundary trade in waste or waste products;¹⁰
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹¹
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling, casinos, and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,¹² including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹³
- (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 ADB Safeguard Policy Statement 2009, Appendix 5, page 76.

² Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

³ 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).

⁴ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

⁵ A list of pesticides and herbicides subject to phase-out or bans is available at <http://www.pic.int>.

⁶ 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 phase-out dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

⁷ 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.

⁸ A list of hazardous chemicals is available at <http://www.pic.int>.

⁹ A list is available at <http://www.cites.org>.

¹⁰ As defined by the Basel Convention at <http://www.basel.int>.

¹¹ This does not apply to project sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a project sponsor's primary operations.

¹² 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.

¹³ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.