

Environmental Assessment and Review Framework

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KAZ: Small and Medium Enterprise Investment
Program

Asian Development Bank

CURRENCY EQUIVALENTS

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Currency Unit	=	Kazakhstani Tenge (KZT)
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ABBREVIATIONS

ADB	—	Asian Development Bank
EA&RF	—	Environmental Assessment and Review Framework
EIA	—	Environmental Impact Assessment
EMP	—	Environmental Management Plan
ESMS	—	Environmental and Social Management System
IEE	—	Initial Environmental Examination
MMF	—	Multitranches Financing Facilities
PFI	—	Participating Financial Institutions
PFR	—	Periodic financing request
RoK	—	Republic of Kazakhstan
SME	—	Small and Medium Enterprise
SPS	—	Safeguard Policy Statement

NOTE

In this report, "\$" refers to US dollars.

This environmental assessment and review framework is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

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CONTENTS

I.	INTRODUCTION	1
II.	ASSESSMENT OF LEGAL FRAMEWORK AND INSTITUTIONAL CAPACITY	2
III.	DESCRIPTION OF THE POTENTIAL SUBPROJECTS	3
IV.	ANTICIPATED ENVIRONMENTAL IMPACTS	3
V.	ENVIRONMENTAL ASSESSMENT OF SUBPROJECTS	4
	A. Subproject Selection Criteria	4
	B. Requirements to Environmental Screening and Categorization	4
	C. Requirements to Environmental Assessment	5
VI.	CONSULTATION, INFORMATION DISCLOSURE, AND GRIEVANCE REDRESS MECHANISM	5
	A. Public Consultation	5
	B. Information Disclosure	6
	C. Grievance Redress Mechanism	6
VII.	INSTITUTIONAL ARRANGEMENT AND RESPONSIBILITIES	6
	A. Environmental and Social Management System	6
	B. Responsibilities	6
	C. Staffing Requirements	7
VIII.	MONITORING AND REPORTING	7

I. INTRODUCTION

1. The \$500 million multitranche financing facility (MFF) for the Kazakhstan Small and Medium Enterprise Investment Program (the Investment Program) was approved by the Asian Development Bank (ADB) on 29 September 2010. This is ADB's first sovereign operation that provides local currency (tenge) fixed interest rate financial intermediation loans and other support which mitigates foreign exchange, interest rate and tenor mismatch risks for participating financial institutions (PFIs) and their small and medium-sized enterprise (SME) clients. The MFF is structured to have 3 or 4 tranches.

2. The Tranche 1 project (Project 1) was financed by a T22.2 billion (\$150 million equivalent) financial intermediation loan with a fixed interest rate and 5-year bullet repayment to the Damu Entrepreneurship Development Fund (Damu), guaranteed by the Republic of Kazakhstan (RoK). The loan was relented through subloans to qualified PFIs (Alliance Bank, Bank Center Credit and Kazkommertsbank) to fund their respective market based working capital and investment loans, leases and other financing products provided to SMEs in Kazakhstan. Tranche 2 was approved on 13 December 2013 and was financed by a \$122 million financial intermediation loan to Damu, guaranteed by RoK, to be disbursed to qualified SMEs by tranche 2 PFIs (Bank Center Credit and Tsesnabank). Tranche 2 became effective on November 2014. Disbursement to SME end-borrowers started in January 2015.

3. On 15 December 2014, ADB approved the Tranche 3 project, a \$130 million financial intermediary loan from ADB's ordinary capital resources, based on the periodic financing request received from the Government of Kazakhstan on 31 October 2014. The four PFIs involved in this tranche are Deltabank, Kaz Invest Bank, Kazkommertsbank and Tsesnabank. The borrower, as in previous tranches, is Damu. The internal processes to obtain the sovereign guarantee for this project have not yet been finalized. Thus, the legal agreements for the Tranche 3 loan have not been executed to date; accordingly, the loan has not yet been declared effective. Given the deteriorating conditions for SME financing, Damu requested on March 2015 an increase of \$98 million in the ADB loan financing for the Tranche 3 project, bringing the aggregate financing for the tranche to \$228 million. The additional financing will be used to expand the project and the program's outreach, increase the number of SME beneficiaries, and help address the increased unmet demand for local currency financing.

4. Tranche 1 was classified Category FI (treated as C) for environment, involuntary resettlement, and indigenous people. However, initial utilization by the PFIs was low due to their concern about compliance with ADB safeguards requirements. Specifically, the PFIs had problems in screening and categorization of the subprojects. To remedy a national environment specialist was hired in May 2012 under the related TA to (i) assist and advise Damu and the PFIs on the environmental and social safeguard issues and (ii) organize trainings on ADB safeguards requirements and procedures for screening and categorizing subprojects. As a result Damu and PFIs improved their capacity to comply with ADB safeguards requirements.

5. Tranche 2 was classified Category FI with respect to environment and Category FI (treated as C) for involuntary resettlement and indigenous people. In May 2014, ADB conducted a due diligence of Environmental and Social Management Systems (ESMSs) of the two Tranche 2 PFIs. It was found that both PFIs have established ESMSs compliant with requirements of ADB's Safeguards Policy Statement (2009). Disbursements to SME subborrowers started in January 2015. To date there have been no issues in disbursements related to safeguards compliance. A safeguards review mission is scheduled on June/July 2015. Tranche 3 was also classified Category FI with respect to environment and Category FI (treated as C) for involuntary resettlement and indigenous people. This tranche is not yet effective. Based on due diligence findings when processing the tranche, capacity building support is being provided by a local

environment specialist, to ensure that the four PFIs have ESMS to ADB's standards prior to the loan disbursement. These four PFIs are the same ones that will receive the additional financing for Tranche 3. A mission to audit the status of their ESMS is scheduled for June/July 2015.

6. The Environmental Assessment and Review Framework (EARF) is proposed below in order to adequately screen, assess, review, and monitor the environmental impacts of candidate subprojects of the PFIs. It includes assessment of legal framework and institutional capacity, anticipated environmental impacts, environmental assessment for subprojects and components, consultation, information disclosure, and grievance redress, institutional responsibilities of various agencies, and monitoring and reporting. This framework is being used to assess the legal framework and institutional capacity of the four PFIs of Tranche 3 (of which 2 are participants of previous tranches and their systems have been audited in the past). As in previous tranches, the requirement that each PFI has established an ESMS to the satisfaction of ADB and appointed designated staff trained in implementing the ESMS to screen prospective subprojects is a condition of effectiveness for Tranche 3 and its additional financing.

II. ASSESSMENT OF LEGAL FRAMEWORK AND INSTITUTIONAL CAPACITY

7. Any subproject selected under the MFF will be screened, classified, and assessed based on ADB's Safeguard Policy Statement (2009), and environmental legislation of the RoK, and, if necessary, be reviewed and approved by ADB and the Ministry of Environmental Protection of RoK.

8. Kazakhstan's environmental protection procedures that apply prior to project approval are implemented pursuant to the Ecological Code and more than 120 norms and regulations, which define how the law must be implemented. The environmental requirements of ADB and RoK are given in Table below.

ADB	RoK
Screening and Categorization	
<ul style="list-style-type: none"> ▪ Category A. A proposed project is classified as category A 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. ▪ Category B. A proposed project is classified as category B if its potential adverse environmental impacts are less adverse than those of category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. ▪ Category C. A proposed project is classified as category C if it is likely to have minimal or no adverse environmental impacts. ▪ Category FI. A proposed project is classified as category FI if it involves investment of ADB funds to or through a FI. 	<p>Depending on the significance and scale of environmental assessment an economic activity can be classified as follows:</p> <ul style="list-style-type: none"> ▪ Category 1. Activities classified as 1 and 2 class of danger in accordance with sanitary classification of facilities as well as exploration and extraction of natural resources except widespread ones. ▪ Category 2 Activities classified as 3 class of danger in accordance with sanitary classification of facilities as well as exploration and extraction of widespread natural resources ▪ Category 3. Activities classified as 4 class of danger in accordance with sanitary classification of facilities ▪ Category 4. Activities classified as 5 class of danger in accordance with sanitary classification of facilities, as well as all types of fauna use, excluding amateur fishing and hunting.
Environmental Assessment	
<ul style="list-style-type: none"> ▪ FI (treated as A or B). All FIs that are categorized as FI (B and A) will be required to have in place or establish an appropriate environmental and social management system (ESMS) commensurate with the 	<ul style="list-style-type: none"> ▪ Categories 1-3. Environmental assessment required. <ul style="list-style-type: none"> ○ Appendix 1 of the Instruction (2007) provides types of projects for which full EIA

<p>nature and risks of the FI's likely future portfolio to be maintained as part of the FI's overall management system.</p> <ul style="list-style-type: none"> ▪ FI (treated as A). Where the projects will likely be classified as category A for environment, the FI will be required to ensure that such subprojects meet ADB's requirements specified in Safeguard Requirements 1–3 (ADB's Safeguards Policy Statement), including information disclosure and consultation. An environmental impact assessment is required. ▪ FI (treated as C). Where the FI's investments have minimal or no adverse environmental or social risks, the FI project will be treated as category C project and need not apply any other specific requirements. 	<p>should be prepared.</p> <ul style="list-style-type: none"> ○ Appendix 2 of the Instruction (2007) provides types of projects for which necessity of the full EIA is defined by the State Environmental Review ▪ Category 4. No or minimal environmental assessment is required. <ul style="list-style-type: none"> ○ Appendix 5 of the Instruction (2007) provides types of projects for which only Environmental Impact Statement is required. ○ For activities not included in Appendix 5 additional permits and licenses from Sanitary and Epidemiological Station, agency on land resources, etc. is required.
Environmental and Social Management System	
<p>The ESMS will 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.</p>	
Sources:	
<p><i>ADB:</i> <i>Safeguard Policy Statement (2009)</i> <i>OM Section F1/BP, (2013)</i></p>	<p><i>RoK</i> <i>Environmental Code (2007)</i> <i>Instruction on conducting Environmental Assessment of intended Economic and Other Activities on the Environment during development Pre-planned, Planned, Pre-project and Project Documentation (2007).</i></p>

III. DESCRIPTION OF THE POTENTIAL SUBPROJECTS

9. It is anticipated that future portfolio of the PFIs will include subprojects of SMEs in the field of retail and wholesale trade, small-scale manufacturing, service industries, ancillary industries, etc. The subprojects involve both upgrade and expansion of existing facilities and new subprojects.

IV. ANTICIPATED ENVIRONMENTAL IMPACTS

10. It is expected that subprojects financed under the MFF will have diverse environmental impacts characteristic of small-scale manufacturing and construction, service industries etc. In most cases the scale and magnitude of environmental impacts will range from minimal to site-specific (Category C and B). The potential environmental impacts will include:

- *Physical Environment.* Impacts to area landscape are likely to occur due to small-scale cut and fill operations. Earth-moving operations can cause soil erosion. Impacts on air quality of the subprojects during the construction phase are anticipated due to fugitive dust generation in and around construction activities, and emissions of dust and exhaust gases characteristic of small-scale manufacturing during operation phase. Fuel and lubricants can contaminate groundwater and surface water. Potential impacts are also related to wastewater. Noise and vibration impacts, generated by construction activities can affect noise-sensitive receptors such as hospitals and schools in settlements. Solid waste can be generated during construction and repair of buildings, operation of workshops, cafes, shops, etc.

- *Biological Resources.* Potential impacts related to biological resources include a risk of biodiversity loss, physical disturbance of wildlife, removal of trees, etc;
- *Socio-Economic Environment.* It is anticipated that potential impacts to the socio-economic environment will be mostly positive and on income and unemployment trends. Potential impacts on archaeological, historical and cultural assets can occur due to construction activities.

V. ENVIRONMENTAL ASSESSMENT OF SUBPROJECTS

A. Subproject Selection Criteria

11. The following general criteria will be adopted by PFIs for selection of the subprojects:
- Only subproject having no, minimum, or site-specific environmental impacts (ADB's Category C or B) will qualify for financing; the subprojects with significant impacts to the environment (Category A) will be excluded from financing;
 - The subprojects will not include those with involuntary resettlement;
 - The subprojects should only involve activities that follow all the national laws and regulations of Kazakhstan;
 - Types of projects listed in ADB Prohibited Investment Activities List (Appendix 2) do not qualify for ADB's financing.
12. Any subproject, which does not meet the general criteria listed above have to be rejected. A Subproject Screening Checklist (Appendix 1) can be used to define eligibility of the subproject for financing.

B. Requirements to Environmental Screening and Categorization

13. All subprojects under the MFF will be screened according to the PFI's ESMS procedures approved by ADB, to determine the level of environmental risk they pose, as well as the nature and level of environmental assessment required. Environmental categorization takes into account the nature, location, sensitivity, and scale of the project, nature and magnitude of the environmental impacts, and is based on the most environmentally sensitive component of the subproject. The RoK environmental category should be taken into account while assigning the ADB environmental category. For example, it is most likely that RoK Category 1 or 2 will correspond to ADB's Category A, and RoK Category 4 will correspond to ADB's Category C.

14. The definition of the environmental category of the subproject is as follows:
- Category C. A subproject having minimal or no adverse environmental impacts. Examples of such projects include wholesale trade, small scale manufacture of bakery and farinaceous products, processing and preserving of fruit and vegetables, assembly of furniture, transportation services, accommodation and food service activities, rental and leasing activities, information services, etc. No further environmental assessment for those subprojects is required.
 - Category B. A subproject having site-specific impacts, few if any of them are irreversible. Examples of such subprojects include medium-scale road construction outside specially protected areas, medium-size manufacturing of machinery and equipment, small-scale logging, etc. An environmental management plan will be required for those projects.

- (iii) Category A. A subproject having significant adverse environmental impacts that are irreversible, diverse, or unprecedented. Among those projects are waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes, large-scale land reclamation, extraction of petroleum and natural gas for commercial purposes, municipal solid waste processing and disposal facilities, etc. Subprojects with significant impacts will not be allowed under the MFF.

C. Requirements to Environmental Assessment

- 15. For projects classified as Category C no further environmental impact assessment will be required.
- 16. For projects classified as B, a SME, at an early stage of each subproject preparation and in consultation with a PFI, will identify likely environmental impacts and risks to physical, biological, socioeconomic, and physical cultural resources and determine their significance and scope, and stakeholders.
- 17. The SMEs will prepare an environmental management plan (EMP) that addresses the potential impacts and risks identified by the environmental assessment. The EMP will include the proposed mitigation measures, environmental monitoring and reporting requirements, emergency response procedures, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. The structure and composition of the typical EMP is provided in Appendix 2.
- 18. The PFIs/SMEs should ensure that ADB be given access to undertake environmental due diligence for all subprojects. However, SMEs has the main responsibility for undertaking environmental due diligence and monitoring of the EMP implementation. The due diligence report as well as monitoring reports on implementation of the environmental management plan needs to be documented systematically and be available to the public, if requested.

VI. CONSULTATION, INFORMATION DISCLOSURE, AND GRIEVANCE REDRESS MECHANISM

A. Public Consultation

- 19. For Category B subprojects an SME will organize consultations with project affected people and other stakeholders. Consultations will be based on the national environmental requirements and the following ADB's requirements:
 - (i) Early start in the subproject preparation stage and continuation throughout the project cycle;
 - (ii) Timely disclosure of relevant information in a comprehensible and readily accessible to affected people format;
 - (iii) Ensuring the absence of intimidation or coercion during public consultation;
 - (iv) Gender inclusive and responsive with focus on disadvantaged and vulnerable groups, and
 - (v) Enabling the integration of all relevant views of affected people and stakeholders into decision-making.

B. Information Disclosure

20. In accordance with the national legislation of RoK¹ and ADB's Safeguard Policy Statement the following documents is a subject of public disclosure:

- (i) PFI discloses a subproject documentation including environmental assessment materials in accordance with the national legislation;
- (ii) ADB posts on its web-site environmental monitoring reports upon receipt by ADB from DAMU/PFIs.

C. Grievance Redress Mechanism

21. In order to receive and facilitate the resolution of affected peoples' concerns, complaints, and grievances about the project's environmental performance an Environmental Grievance Redress Mechanism will be established by PFIs. When and where the need arises, the mechanism will be used for addressing any complaints that arise during the implementation of sub-projects identified under the MFF. Since small scale activities are expected a basic mechanism will be sufficient to address the likely concerns. PFIs and SMEs will inform potentially affected persons of this mechanism.

VII. INSTITUTIONAL ARRANGEMENT AND RESPONSIBILITIES

A. Environmental and Social Management System

22. The PFIs are required to have in place or establish an appropriate environmental and social management system (ESMS) commensurate with the nature and risks of the PFI's likely future portfolio to be maintained as part of the PFI's overall management system. The ESMS will 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.

23. The system will be documented and agreed upon by ADB and the PFI prior to the first disbursement on the project.

B. Responsibilities

24. To prepare subprojects and to comply with ADB's Safeguard Policy Statement (2009):

- (i) PFIs will be responsible for:
 - a. Preparing environmental screening checklists and categorizing subprojects in coordination with SMEs;
 - b. Ensuring that SMEs obtained all regulatory clearances before starting the subproject;

¹ 2007 Rules for Public Hearings (amended 27 March 2013) and 2007 Instruction on OVOS (amended 24 September 2013).

- c. Preparing and submitting to the ADB an environmental monitoring report including implementation of EMPs on SMEs subprojects every six months.
- (ii) SMEs responsibilities include:
 - a. In case of any subproject higher than Category C, an SME appoints or hires an environmental specialist to prepare an EMP (outline of an environmental management plan is shown in Appendix 3);
 - b. Ensure that the EMP, including all proposed mitigation measures and monitoring programs, is being properly implemented.
 - c. In the case of unpredicted environmental impacts occurring during subproject implementation, provide and implement a corrective action plan in coordination with a PFI;
 - d. Providing awareness training in environmental management for all employees working on the subproject.
 - e. Ensure that meaningful public consultation be undertaken with affected groups and NGOs
 - f. Submitting the EMP to PFI as part of the approval of subproject;
- (iii) DAMU's responsibilities include
 - a. Monitor the implementation of safeguards stipulated in PFIs loan agreements with assistance of ADB;
 - b. Pre-review semi-annual environmental monitoring reports.
- (iv) ADB responsibilities include:
 - a. Review and publicly disclose semi-annual environmental monitoring reports on the ADB website;
 - b. Monitor the implementation of EMPs and due diligence (for Category B projects) as part of overall project review mission;
 - c. Provide assistance to PFIs in carrying out their responsibilities and safeguard capacity building, if required.

C. Staffing Requirements

25. Depending on the size of a PFI and nature of its business activities, the PFI will appoint a suitably qualified officer to oversee environmental and social aspects of the project, and appoint one or more staff for day-to-day implementation of its ESMS.

VIII. MONITORING AND REPORTING

26. The extent of monitoring activities, including their scope and periodicity, will be commensurate with the project's risks and impacts. PFIs are required to supervise implementation of safeguard measures and relevant safeguard plans by SMEs, and to submit periodic monitoring reports on their implementation performance to DAMU and ADB. ADB will require PFIs to:

- (i) establish and maintain procedures to monitor the progress of implementation of EMPs on Category B projects;
- (ii) verify the compliance with environmental measures and their progress toward intended outcomes;
- (iii) document and disclose monitoring results and identify necessary corrective and preventive actions in the periodic monitoring reports;

- (iv) follow up on these actions to ensure progress toward the desired outcomes, and
- (v) submit periodic monitoring reports on safeguard measures as agreed with ADB.

27. ADB will monitor and supervise implementation of PFI's ESMS as follows:

- (i) conduct audits of PFI's ESMSs
- (ii) review environmental monitoring reports submitted by PFIs to ensure that adverse impacts and risks are mitigated in accordance with EMPs;
- (iii) undertake periodic supervision missions to Category B subprojects;
- (iv) work with PFIs to rectify to the extent possible any failures to comply with their safeguard commitments, as covenanted in the legal agreements, and exercise remedies to reestablish compliance as appropriate; and
- (v) prepare project completion reports that assesses whether the objective and desired outcomes of the EMPs have been achieved, taking into account the baseline conditions and the results of monitoring.

Subproject Screening Checklist
Environmental and Social Impact Assessment Criteria

SCREENING QUESTIONS	Yes	No	REMARKS
A. Compliance with laws and/or regulations (for existing SMEs) Is the subproject in breach of any applicable government environmental, health, safety or social laws or regulations?	<input type="checkbox"/>	<input type="checkbox"/>	
B. ADB's Prohibited Investment Activity List Is any of the project activities included in ADB's list of prohibited investment activities in Appendix 1?	<input type="checkbox"/>	<input type="checkbox"/>	
C. Subprojects with high adverse environmental impacts (Category A) Is the subproject proposed for financing are included in the list (Appendix 4) of projects or activities which have high environmental and social risks?	<input type="checkbox"/>	<input type="checkbox"/>	
D. Potential Social Impacts Will the project: <ul style="list-style-type: none"> • Use land that has been acquired for State needs? <input type="checkbox"/> • Result in the removal/displacement of renters/leaseholders or informal land-users (people without legal rights on the land/squatters)? <input type="checkbox"/> • Cause people or any community to lose access to natural resources, traditional habitats, or communal facilities? <input type="checkbox"/> • Will the subproject directly or indirectly affect ethnic minorities in the project area which (i) maintain collective attachment to distinct habitats or ancestral territories, (ii) speak a distinct language or dialect, and (iii) has been historically, socially and economically marginalized or discriminated against? <input type="checkbox"/> Will the credit loan be used for: <ul style="list-style-type: none"> • Buying the land, structures (business and residential) <input type="checkbox"/> • Acquiring the assets/ or expansion of businesses which will result in the removal/ displacements of renters, leaseholders, formal and informal users of the assets <input type="checkbox"/> • Acquiring the assets which will cause people or any particular community/ groups especially for ethnic minorities or the poor to lose access to: <ul style="list-style-type: none"> 1. natural resources, 2. traditional habitat, 3. customary activities, 4. communal facilities <input type="checkbox"/> • Acquiring of assets./ or expansion of businesses which may facilitate/ increase the risk of: <ul style="list-style-type: none"> 1. Violation of the code labor standard, including use child labor 2. Marginalization of the ethnic minority groups in the project areas (related to their identity, dignity, livelihood system, cultural uniqueness) 3. Human trafficking <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	If No, go to the next question. If Yes, the project is ineligible for financing If Yes, ensure supporting documents available for willing seller & willing buyer transaction If Yes, exclude from financing If Yes, exclude from financing If Yes, exclude from financing

Notes: (i) The Remarks field can be used to comment on screening questions A, B, C, and D. Such comments can, for example, refer to the availability of clearance, permits, or licenses currently being requested from the concerned local government agency, or clarify that SME is not substantially involved in production of or trade in alcoholic beverages, or inform that project is located at xx km distance from a specially protected area.

(ii) If the answer to questions A, B, C, and D is "no", the PFI may proceed with assigning environmental category to a project.

(iii) "Subproject" in this checklist means the investment or economic activity of the SME Borrower for which an FI Loan is provided.

ADB 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 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 phaseouts 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;¹²
- (vii) production of or trade in radioactive materials,¹³ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹⁴
- (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.

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 phaseouts 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 phaseout 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; see <http://www.basel.int>

¹¹ This does not apply to qualified SME borrowers who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a qualified SME borrower's primary operations.

¹² This does not apply to qualified SME borrowers who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a qualified SME borrower's primary operations.

¹³ 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.

¹⁴ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

Outline of an Environmental Management Plan

EMP deals with the set of mitigation and management measures to be taken during project implementation to avoid, reduce, mitigate, or compensate for adverse environmental impacts (in that order of priority). It may include multiple management plans and actions. It includes the following key components (with the level of detail commensurate with the project's impacts and risks):

- (i) Mitigation:
 - (a) identifies and summarizes anticipated significant adverse environmental impacts and risks;
 - (b) describes each mitigation measure with technical details, including the type of impact to which it relates and the conditions under which it is required (for instance, continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; and
 - (c) provides links to any other mitigation plans (for example, for involuntary resettlement, Indigenous Peoples, or emergency response) required for the project.

- (ii) Monitoring:
 - (a) describes monitoring measures with technical details, including parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits and definition of thresholds that will signal the need for corrective actions; and
 - (b) describes monitoring and reporting procedures to ensure early detection of conditions that necessitate particular mitigation measures and document the progress and results of mitigation.

- (iii) Implementation arrangements:
 - (a) specifies the implementation schedule showing phasing and coordination with overall project implementation;
 - (b) describes institutional or organizational arrangements, namely, who is responsible for carrying out the mitigation and monitoring measures, which may include one or more of the following additional topics to strengthen environmental management capability: technical assistance programs, training programs, procurement of equipment and supplies related to environmental management and monitoring, and organizational changes; and
 - (c) estimates capital and recurrent costs and describes sources of funds for implementing the environmental management plan.

- (iv) Performance indicators: describes the desired outcomes as measurable events to the extent possible, such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods.