Financial Intermediary: Environmental and Social Management System Arrangement

Project Number: 52219-001
June 2020

SRI LANKA: Strengthening the Regional Development Bank

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Environmental and Social Management System

REGIONAL DEVELOPMENT BANK

SRILANKA

June 2020

Pradeshiya Sanwardhana Bank
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>BCC</td>
<td>Board of Credit Committee</td>
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<td>BIQ</td>
<td>Basic Information Questionnaire</td>
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<td>BOI</td>
<td>Board Of Investment</td>
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<td>CCD</td>
<td>Coast Conservation Department</td>
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<td>CEA</td>
<td>Central Environmental Authority</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DFI</td>
<td>Donor Financing Institution</td>
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<tr>
<td>DGM</td>
<td>Deputy General Manager</td>
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<td>E&amp;S</td>
<td>Environmental &amp; Social</td>
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<td>EA</td>
<td>Executing Agency</td>
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<td>ECC</td>
<td>Executive Credit Committee</td>
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<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EPL</td>
<td>Environmental Protection License</td>
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<td>ESDD</td>
<td>Environmental Social Due Diligence</td>
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<td>ESG</td>
<td>Environmental &amp; Social Governance</td>
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<td>ESMP</td>
<td>Environmental and Social Management Plan</td>
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<td>ESMS</td>
<td>Environmental and Social Management System</td>
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<td>ESMU</td>
<td>Environmental Social Management Unit</td>
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<td>GM</td>
<td>General Manager</td>
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<td>GOSL</td>
<td>Government Of Sri Lanka</td>
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<td>GRM</td>
<td>Grievance Redress Mechanism</td>
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<td>GSMB</td>
<td>Geological Survey and Mines Bureau</td>
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<td>IA</td>
<td>Implementing Agency</td>
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<td>IEE</td>
<td>Initial Environmental Examination</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IPP</td>
<td>Indigenous Peoples Plan</td>
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<td>LA</td>
<td>Local Authority</td>
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<td>LARC</td>
<td>Land Acquisition &amp; Resettlement Committee</td>
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<td>MC</td>
<td>Municipal Council</td>
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<td>MOM&amp;E</td>
<td>Ministry of Mahaweli Development and Environment</td>
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<td>MSME</td>
<td>Micro- Medium &amp; Small sized Enterprises</td>
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<td>NEA</td>
<td>National Environmental Act</td>
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<td>NWPC</td>
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<td>OHS</td>
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<td>PAA</td>
<td>Project Approving Agency</td>
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<td>Project Management Unit</td>
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<td>Project Proponent</td>
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<td>Regional Development Bank</td>
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<td>SLRS</td>
<td>Sri Lankan Rupees</td>
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<td>SME</td>
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<td>TOR</td>
<td>Terms of Reference</td>
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<td>UC</td>
<td>Urban Council</td>
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<td>WB</td>
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SUMMERY

Regional Development Bank, as the only Development financial institution in Sri Lanka has since its establishment in 2008 been achieving its objectives of providing adequate financing to its clients. The bank has been throughout its loan engagement been focusing on the underserved population of banking clients in the country. The Bank’s overall lending and investments objectives are that these activities lead to the positive transformation of the society it serves and overall improves the human wellbeing while mitigates the environmental and social impacts. However, some of the projects it finances could have adverse effects on the environment and the society at large. This can arise through financing of activities that can lead to adverse impacts on the environment and the undesirable effects of relocation of people. As a financial institution with sustainability values and objectives and therefore, in pursuit of its dual goals of sustainable development and profitability, RDB has put in place an ESMS that ensures that its management commits to environmental and social sustainability and responsible business. As an initial step towards such an initiative the banks adopted the environmental policy statement on 14th of November 2019, which highlights the commitment to screen projects for environmental and social risk along with financial screening. The ESMS is mechanism that set forth the procedures of social and environmental screening. This manual constitute the Bank’s ESMS, which will match similar procedures laid down by IFC for Financial Intermediaries (FIs). This mechanism will ensure that the RDB’s activities are in compliance with its domestic as well as the DFI environmental and social standards.

The ESMS was first developed in December 2019 and will be continuously revised annually. The ESMS puts in place the required E & S risk management procedures in RDB’s business activities to mitigate E & S risk associated with the activities that it finances. RDB will put in place an institutional structure such as the ESMU and make available human and financial resources through training of its staff on E and S risk management.

This ESMS manual is presented in two parts. The first section constitutes the ESMS together with its procedures. The second section is the Reference Manual with the Annexures. The first section of the ESMS lays down the procedures, whilst the second section includes the checklists and reporting formats often to be used by ESMS team during the application of the procedures. The RDB staff will be required to be familiar with the contents given in the social and environmental risk management. It will help the RDB loan appraising staff to understand the context in which E&S risks assessment depending on the type and nature of the loan, and thereby to decide the level of due diligence required.

RDB is committed to financing environmentally and socially sustainable projects that do not adversely impact on the environment and the communities in which they operate in. The ESMS has been put in place to ensure that E&S Risks are identified, analyzed and mitigated during the Bank’s business activities and those of its clients. The Bank, ensures that all its staff are inducted with the E & S risk management procedures and ensure that projects undergo proper procedures in E & S due diligence so that the Bank is able to make informed decisions on a borrower, to avoid and mitigate any E & S risk on all its loan facilities.
ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM FOR REGIONAL DEVELOPMENT BANK

I. INTRODUCTION

1. An Environmental and Social Management System (ESMS) outlines and establishes a set of policies, procedures, tools. The ESMS that is developed will ensure that the RDB’s activities are in compliance with its environmental and social standards.

2. It improves the internal banks capacity to identify and manage its exposure to the environmental and social risks of its clients/investors and shows its commitment to implement the environmental and social management. The document explains its procedures for identifying, assessing and managing environmental and social risks of financial transactions. It also defines the decision-making process, describes the roles, responsibilities of staff engaged in the bank and expresses its commitment for maintain a transparent process of documentation and recordkeeping.

3. Moreover it guides the RDB on screening and categorizing of transactions based on their environmental and social risk, while laying down procedures to conduct environmental and social due diligence and monitor the client's/investor's environmental and social performance. This ESMS will help RDB to avoid and manage loans with potential environmental and social risks by conducting environmental and social due diligence prior to loan disbursement and adequate supervision of projects during the term of the loan agreement. The users of this manual are advised to read the Environmental and Social Management System arrangement for better understanding and implementation of ESMS.

4. RDB transactions with its client/investor and a financial institution, may present certain risks and such risks include environmental and social risks (E&S risks) in addition to reputational, legal and/or financial risks. According to the International Finance Corporation (IFC) 'environmental and social risk management benefits a financial institution by improving overall risk management, identifying new environmental business opportunities, and adding value to clients and investors. Moreover, it gains a competitive advantage by implementing an ESMS and can enhance its understanding of environmental and social risks.

5. The Regional Development Bank (RDB) is conscious of the fact that its operational activities can adversely impact the environment and the society, unless importance is not given to controlling the corporate social, environment and economic performance. Consequently, the bank is committed to responsibly manage the environmental and social risks associated with its operations in order to minimize the negative impacts on the environment and its stakeholders. Therefore, it is committed to conduct its business in an environmentally and socially responsible manner. The ESMS of the Regional Development Bank was developed to serve this purpose.

6. To guide the RDB in screening/selecting subprojects with impacts at category B/C level and assessing and managing their environmental and social impacts throughout the project, a framework for an Environmental and Social Management System (ESMS) has been prepared based on both domestic and ADB's environmental requirements. Under the technical assistance, RDB will further develop, establish, and implement the ESMS consistent with the Safeguard Policy Statement (SPS) 2009 of ADB, national environmental and social laws, and
regulatory requirements by 31st of December 2019. Even after the ADB project, the ESMS will help RDB to avoid, and when avoidance is not possible, to minimize and mitigate adverse impacts of subprojects on the environment and affected people and to maximize environmental and social benefits.

7. The Regional Development of Sri Lanka is dedicated to securing and enhancing the financial well-being of people, businesses and communities. Bank recognizes that their decisions can have direct and indirect impacts on the environment, that will have an impact on the economic performance. The bank is committed to manage the environmental and social risk associated with business operations in order to mitigate the negative impacts on the environment and society. Bank is committed to ensure that they are committed to safeguard the environment and support economic growth and development. In order to implement this the Bank has developed the Banks ESMS. With the implementation of the ESMS the bank will engage in providing financial instruments to facilitate upgrade the industries by financing cleaner production process mechanism, improving their awareness on environmental and social compliance, and streamline the Environmental and Social responsibility of the financed projects.

8. RDB Bank, a leading development bank in Sri Lanka with over 34 years in existence, is committed to the promotion of human well-being and support economic growth and sustainable development. The Bank has been in the forefront of almost all the development programmes in the island taking a significant role as a financier. The bank customer base that spread throughout the country. The bank has over the years engaged in supporting micro and small-sized enterprises for business activities outside of Colombo City.

9. Initially the bank’s business was organized under the ‘barefoot banking concept’, to provide innovative, simple and effective financial instruments (mainly deposit mobilization and lending) to those at the middle and bottom of the income pyramid. RDB (Pradeshiya Sanwardhana Bank in Sinhala) is a state-owned and licensed specialized bank that the government formed from the merger of six provincial development banks in May 2010 under the Pradeshiya Sanwardhana Bank Act No. 41 of 2008. RDB’s mandate is to improve rural living standards by providing accessible and affordable financial services. Its focus includes agriculture, industry, livestock, fisheries, construction and the empowerment of women. RDB is one of the few dedicated micro, small, and medium-sized enterprise (MSME) banks in Sri Lanka. As of the end of 2018, RDB had over 6 million account holders, 273 branches, and over 2,340 permanent staff members.

Experience and Lessons Learned from Previous Projects

10. RDB has extended credit facilities to the rural sector, commonly identified as most vulnerable sector for lending by the financial industry. There are approximately 500K customers with borrowings below SLRs.500K and their borrowings tend to be short term or seasonal which results in substantial processing time and effort. RDB is one of the banks which provides highest number of loans under “Enterprise Sri Lanka” programme which is one of the main development strategy of Sri Lankan economy. The bank has engaged in promoting the savings habit among the rural poor and thereby contributing to the Sri Lankan economy while improving the financial stability of women based SME.

11. RDB funded projects so far has funded subprojects categorize as C for environment, involuntary, resettlement, and indigenous people under the Small & Medium sized
Enterprises Line of Credit (SME LOC). All sub project which are financed by RDB are categorized as C. These projects have been reviewed by the ESMU manager at RDB and is verified by ADB randomly. RDB has been involved in training to understand the common operational mechanisms involved with the ADB.

12. Over the years since 2011 bank has engaged in refinancing loan schemes implemented by the Government and the Central Bank of Sri Lanka and other donors. These loan schemes are aimed to improve the Micro enterprises, Small and Medium Enterprises, Livelihood, Self employment, Livestock and thereby contribute towards poverty alleviation.

13. Amongst its other operation the bank also may be financed by Donor Financing Institutions (DFIs) to finance subprojects listed below:
   - Agriculture & Agro based industries
   - Apparel & Garment (Spinning, Weaving and Finishing of Textiles)
   - Beauty Culture/ Dressmaking
   - Carpentry, Furniture and Lathe work
   - Construction and Infrastructure
   - Education
   - Electricity Gas & Water Supply
   - Fisheries
   - Floriculture
   - Hotels, Restaurant & Tourism and related activities
   - Health Care
   - Information Technology & Telecommunication
   - Jewellery and Gem
   - Leasing & Rental
   - Livestock and Dairy Processing
   - Manufacturing
   - Manufacturing gift items (SME in Handicrafts)
   - Mining and Quarrying
   - Ornamental fish
   - Other services/Production not listed above (Basic Industries with chemical production, Pesticide and fertilizer production, Automobile Service Centers, Waste processing, Tanneries and Leather Finishing, Forestry and recreational space development, Packing & packing materials
   - Transport & Communication
   - Spices, Minor Export Crops
   - Wholesale and Retail Trade/ Cold Storage

II. ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS

A. Environmental and Social Policy

14. The Regional Development Bank is committed to ensure that all activities/ projects / operations are in compliance with the environmental and social standards of Sri Lanka and the donor financial institutions. It is committed to securing and enhancing the financial well-being of people and businesses. RDB’s objective is to ensure environmental sustainability and social acceptability while supporting economic growth and development.
15. The environmental and social management policy of RDB (Annex 1.3) was approved by the Board of Directors on 14th of November 2019 and states that RDB is committed to assess, minimize, mitigate, monitor and manage environmental and social impacts of its financed projects.

16. In developing the Environmental and Social Policy the bank has recognized the crucial role it plays in allocating financial resources for cleaner production processes and promoting environmental and social wellbeing. By apply a comprehensive Environmental, Social and Governance (ESG) Risk Management Framework to manage environmental risk across bank lending portfolio it will be instrumental in changing the environmental and social screening process overall. Today's challenge bank faces is to address sustainability of business in a way that meets the current and future needs of it's customers, employees, communities and in a changing environment. The bank has a crucial role to play in making this happen across both the public and private sectors. The bank will continuously engage with stakeholders in its business to identify and priorities the social, environmental and economic issues to be addressed under banks strategies. RDB financed projects will be approved after consider environmental and social risks throughout loan process, credit approval and annual review processes.

17. All projects financed by RDB comply with relevant environmental, social and labour legislations, including international environmental and social agreements, treaties and conventions to which Sri Lanka is a signatory of.

18. Bank will screen out projects which are included in RDB’s “Exclusion List” and ADB’s Prohibited Investment Activities List (ADB SPS 2009; Annex 1.1).

19. Assess clients’ ability to manage their own environmental impacts and risks and engage with clients to assist them in managing and mitigating their project’s environmental and social impacts and risks.

20. Integrate environmental considerations into investment products and services to help its clients meet their financial goals. (i.e. introduce green/climate finance products and services for projects financed by the bank; monitoring and reducing energy use and greenhouse gas emissions and thereby reducing the carbon footprint in sub projects financed by the bank. Integrate sustainability into key business decisions and initiatives, implement an operational process to minimize the bank’s carbon footprint, implement responsible waste disposal systems in all the financial business engagements. Additionally, bank will finance renewable energy projects among their customers. Overall it will promote cleaner production mechanisms in its lending portfolio for the businesses it will be financing. Bank has introduced E-Friend Loan scheme in an attempt to promote cleaner production. Refer (Annex 2.5)

21. Follow best practices in environmental and social management within the bank portfolio and outside. Integrate the green bank infrastructure in the new branches that it will be building in the future. Building physical infrastructure with Green Banking initiatives to reduce carbon footprint. Increase Energy Efficiency by implementing initiatives that reduce the Bank’s fossil fuel usage, thereby conserving natural resources and reducing pollution as well as cutting back on carbon emission. This can be done by implementing the following activities that are listed below.

   (i) Lighting - Renewable energy solutions
   (ii) Promote Energy conservation
(iii) Limiting Transport and Travelling
(iv) Water conservation and control of usage
(v) Rain water harvesting
(vi) Physical infrastructure development – Green branches to reduce carbon emission
(vii) Promote operational process within the bank to reduce the usage of scarce resources
(viii) Automated work flow systems to reduce paper
(ix) Printing documents only if required
(x) Use of on-line/ email etc. communications instead of paper

22. Establish a functional grievance reporting mechanism to facilitate any possible complaints from the community who may be affected by projects financed by the bank. A GRM process will be established for all the subprojects that it will finance. Under this process a transparent process will be established to facilitate resolution of affected people’s concerns, complaints, and grievances about the subproject that is financed by the RDB. The proposed GRM (Section 129) shows that it has provided citizens with an effective platform for redress of their grievances. This mechanism will address the people’s concerns and complaints promptly using an unbiased transparent process that is gender responsive and culturally acceptable. The proposed mechanism does not at any moment impede access to the country’s judicial or administrative remedies.

23. RDB will engage with its clients, the community and other key stakeholders to promote effective management of environmental and social issues. To implement such policy RDB needs to establish Environmental and Social Management System (ESMS).

24. The bank will take measure to improve the awareness among customers, suppliers and other stakeholders on bank’s environmental policy and measures to encourage compliance/ cooperation. Promoting renewable energy among customers, Encourage the environmental safety practices in the industrial process and Encouraging innovative and sustainable product and build green branches etc.

25. Implement CSR initiatives that will contribute towards human wellbeing and development. The bank will engaged in strategic CSR initiatives of education, entrepreneurship, national heritage protection, livelihood development, health care development, environmental protection, art and culture, disaster relief through projects. These projects will contribute to overall human capacity development. The impact of corporate social responsibility is increasingly manifest in the efforts to create a competitive advantage out of corporate social responsibility strategies bank is adopting. The bank will engage in promotion of an active corporate social responsibility discourse to boost its reputation. Such project will be identified by the ESMU and implemented by the Marketing Department and the Human Resources Management Department of the bank.

26. This policy will be communicated to all staff and operational employees of RDB in its corporate office and branches. (Annex 1.3) Additionally, environmental and social policy and requirements will be communicated to all stakeholders including clients in the future.

27. Establishment of the ESMS will improve RDBs capacity to systematically assess the E&S risks and opportunities arising from client’s operations and their overall exposure to risk.
A.1 Objectives of the ESMS

i. Facilitate compliance with domestic environmental and social laws and regulations, international treaties to which the Sri Lankan government in signatory to, DFI environmental and social policies and finally meet the overarching goal of human well-being.

ii. Assist the Bank to avoid and/or manage any social and environmental risks likely to arise from a project or activity for which the bank finances, by conducting social and environmental due diligence (which is discussed in section III Environmental and Social management Procedures For RDB) prior to loan approval and disbursement. It ensures that proper monitoring of projects prior to loan disbursement and thereafter.

iii. The most important facet of a bank’s environmental and social policy is managing the impact of its operations, products/services and customer relationships have on the financial sector. The banks environmental and social policy extend to taking steps to ensure environmental and social compliance of the stakeholders it deals with.

iv. Provides a screening and categorizing system to screen potential environmental and involuntary resettlement impacts of RDB financed projects, and its potential impacts on indigenous peoples.

v. Helps identify subprojects with any potential involuntary resettlement and/or impacts on indigenous peoples in order to exclude from RDB financing.

vi. Assures the stakeholders that the Bank is committed to meet social and environmental compliance and is part of cooperate commitment.

vii. Helps finding whether avoidance or minimization or mitigation of environmental impacts and risks meet requirements of environmental laws and regulations of the government, and ADB’s Safeguards Policy Statement (SPS 2009).

viii. Ensures the bank’s commitment towards the E&S policy requirements, show environmental leadership in the industry.

ix. Establish mechanism on bank’s environmental and social responsibility will improve the relationship among its business partners such as other financial institutions and, regulatory agencies and community.

x. Ensure that a comprehensive evaluation mechanism is in place for project screening which is accountable for environmental and social risk evaluation.

xi. Overall creates awareness among RDB and its affiliated institutions, banks clients/customers about RDB’s safeguards requirements: Ensures capacity building of bank staff that is engaged in environmental, social and credit risk evaluation process. Overall training educational programs carried out for employees on environmental protection, ecosystem services, conservation, climate change, cleaner production mechanisms and bank’s environmental practices. Environmental social management unit (ESMU) will be established with dedicated bank staff for environmental screening, monitoring and mitigation.

xii. Guide RDBs loan portfolio in conducting meaningful consultations with all subproject stakeholders. Guides RDB personnel in evaluation and monitoring of an Initial Environmental Examination (IEEs) and Environmental Management Plan (EMPs).

xiii. Guides RDB personnel in disclosing environmental information to all stakeholders. To guide the RDB in screening/selecting subprojects with impacts at intended level of category B/C, assessing and managing environmental and social impact.

xiv. Outlines institutional arrangements for implementing safeguard planning instruments, monitoring and reporting, and for undertaking corrective action plans, and filing out the due diligence reporting.

xv. RDB continually endeavors to ensure and enhance effective environmental and social management practices in all its activities, products, and services with a special focus on the following:
(i) Ensure that applicable environmental and social safeguard requirements, are met for all subprojects;
(ii) Finance subprojects only when they are expected to be designed, constructed, operated, and maintained in a manner consistent with applicable environmental and social safeguard requirements.
(iii) Integrate environmental and social risk into its internal risk management analysis;
(iv) Ensure appropriate consultation and transparency in its subborrower’s activities;
(v) Work with the subproject companies to put into practice applicable environmental and social safeguard requirements; and
(vi) Promote subprojects with environmental and social benefits.

B. Applicable Environmental Requirements / Legal Framework

28. Subprojects that are financed by RDB are reviewed and evaluated against the National laws, regulations and standards on Environment, Health and Safety, involuntary resettlement and land acquisition, indigenous peoples and physical cultural resources. In Sri Lanka, environmental protection and management is governed by the National Environmental Act No.47 of 1980 (NEA) which was enacted in 1980 and subsequently amended in 1988 (Amendment Act No.56). The Central Environmental Authority (CEA), the primary agency in charge of implementing the regulations of the NEA was established in 1981 through the Part IV C of the statute entitled “Approval of Projects” of the NEA. This section was later on amended by Act no 53 of 2000 and the Gazette Extraordinary No 772/22 of 24 June 1999 and No 1104 of 5 November 1999. These legal instruments provide guidelines and directions on screening of projects, their categorization into “prescribed” and “non-prescribed” projects, scoping their environmental impacts, formulation of Terms Of Reference (TOR) for environmental assessment, obtaining environmental clearance, and environmental compliance monitoring during project construction and operation phases. ESMS also draws best safeguard practices from the environmental safeguard policy of ADB. ESMS also fills in gaps found in the local environmental safeguard requirements when compared with ADB’s environmental safeguard policy principles and best practices. Strengthening the Regional Development Bank Project has to satisfy applicable safeguard policy principles of ADB, while using local delivery processes and implementing procedures.

29. The relevant procedure is given in Annex 2.1. Coast Conservation Act stipulates that the development projects in coastal area should be reviewed and monitored by the Coast Conservation Department. The basic process is similar to that of the CEA.

30. The responsibility of implementing occupational health and safety practices in the country lies chiefly with the Department of Labour supported by the Ministry of Health. There has not been satisfactory enforced of OHS by the Department of Labour. With the introduction of OHSAS 18001 certification, some of the large scale industries have adopted good health and safety practices. Majority of the industries that are setup under BOI adopt a similar practice. On the other hand, a large proportion of the industries which are small and medium sized

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1 Department of Community Medicine, Faculty of Medicine, University of Colombo. 2016. Report on Situational Analysis on Occupational Health and Safety in Sri Lanka. World Health Organization Collaborating Centre for Training and Research in Occupational Health.
and are funded by RDB do not pay due attention to the practice of occupational health and safety. Therefore, RDB will evaluate and advice the loan applicants to adopt OSH practices in their project and provide financial assistance for such measures.

31. Subprojects financed by a Donor Financing Institution (DFI) (eg. ADB, WB) are reviewed and evaluated against any applicable additional safeguard requirements set by the relevant DFI.

32. Subprojects that are financed by DFIs (where RDB is the Sub borrower) are screened against the Prohibited Investment Activities List (PIAL) of the relevant DFI where ever that is applicable.

33. In the event that RDB identifies that there are potential significant environmental and/or social impacts against the safeguard requirements of the relevant DFI such subprojects will not receive funding. The evaluated/reviewed requirements are the safeguard requirements for environment, safeguard requirements for involuntary resettlement and safeguard requirement for indigenous people. Outlined safeguard best practices that will be applied to RDB in all the subprojects that it financed by DFI.

B.1 Domestic Environmental Requirements

34. The environmental assessment is primarily concerned with assessing direct and indirect impacts of a project on the biophysical and human environment, and ensuring that these impacts are addressed by appropriate environmental protection and enhancement measures. The environmental assessment system supports project proponents in incorporating environmental considerations in project planning and in determining environmental impacts of their projects.

35. The laws, rules, and procedures for environmental assessment (including IEE, EIA, EPLs, etc.) of any project are found in the NEA and its implementing regulations. These are executed by the CEA except for coastal areas which come under CCD and the North Western Provincial Council. These laws, rules and procedures are supported and laborated by sector specific laws (Annex 2.3) and their regulations adopted by the ministries and departments. The national organization that has the mandate to protect and take measures to safeguard the environment is the Central Environmental Authority. It currently operates in the entire country except in the North Western Provincial Council (NWPC), where the NWPC has enacted a separate statute under the 13th amendment to the Constitution of Sri Lanka and had created a separate provincial institute.

36. For ongoing industrial activities or proposed project that does not fall under IEE/EIA regulations, the sub-borrower will be required to fill in the Questionnaire on environmental Impact Identification to assess the project. Based on the information received the CEA/project approving agency will issue an Environmental Recommendation letter or direct to the Environmental Protection Licensing scheme (EPL- explained below paragraph 45). In the event that a subproject requires an IEE/EIA, the project proponent would be required to provide information through a Basic Information Questionnaire (BIQ) to assess the project based impact and thereafter will be requested to submit an IEE/EIA.

37. According to GOSL procedure, all development activities require environmental clearance. In order to obtain such clearance, the project proponent has to fill in a Basic Environmental Information Questionnaire. The questionnaire requires information from the project proponent
to enable the CEA to determine the level of environmental analysis required prior to providing approval for the project. Upon reviewing the questionnaire, the CEA determines whether the project requires an Initial Environmental Examination (IEE), or an Environmental Impact Assessment (EIA), or whether no further environmental analysis is required, depending on the nature of the potential impacts.

38. The NEA of 1980 recommends the adoption of environmental assessment for development projects. The amendment to NEA in 1988, environmental assessment was made mandatory for projects with significant environmental impacts. The types of projects that need EIA are listed in the Gazette Extraordinary No 772/22 and No 1104 of 1993. The project approving agencies are listed in Gazette Extraordinary No 859/14 of 1995 in which ministries with 14 subject areas (e.g. forest, energy, etc.) and eight statutory bodies have been identified. This legislation prescribed 31 categories of projects (“prescribed projects”) that need environmental assessment. These projects irrespective of size if located in the coastal zone will undergo the approval process that is laid down in the Coast Conservation Act (Annex 2.3). However, projects located totally outside the Coastal zone will be subjected to the approval process laid down in the NEA. In addition, all industrial projects that are located close to environmental, archaeological, or culturally sensitive areas require full environmental impact assessments irrespective of their magnitude.

39. The evaluation and approval of environmental assessment reports are delegated by CEA to various agencies depending on the nature of the project. Among these PAAs are Ministries of National Planning, Lands, Irrigation, Transport, Highways, Industries, Housing, Energy, Agriculture, Forests, Construction, Fisheries, Aquatic Resources, Plantation Industries, Urban Development authority, Board of Investments, Department of Wildlife Conservation, Forest Department, Urban Development Authority, Geological Survey and Mines Bureau, Sri Lanka Tourism Development Authority, Mahaweli Development Authority, and CEA. A project proponent cannot perform the functions of PAA for the same project.

40. The environmental assessment process guides projects to report on viable alternatives to ensure that environmentally less damaging options are considered too. In addition, industries that discharge effluents are required to obtain an environmental protection license (EPL) from the CEA in addition to submitting an EIA/IEE. Whilst the EIA process takes place during project planning, the EPL process technically commences with a formal application one month prior to the commencement of operation. Unlike the environmental assessment requirement, this license is required of existing industries too.

41. Project proponents are responsible for providing relevant and accurate information and data needed to PAA to review and evaluate the project proposal. An effective review depends on timely, full, and accurate data and information provided by project proponents to PAA.

42. PAA conducts scoping of the proposed project to determine its potential environmental impacts. The PAA solicits the participation of those affected, queries the PP for clarification, and decides whether the proposed project should be categorized as a “prescribed” or “non-prescribed” project. If categorized as a prescribed project, PAA will decide based on the significance of potential environmental impacts of the proposed project, whether an EIA is required or a less comprehensive environmental assessment such as an IEE is sufficient to address and resolve identified adverse environmental impacts of the project. It will prepare the TOR of environmental assessment in either case.
43. Project proponents prepare EIA or IEE with the help of specialists according to the approved TOR. Project proponents submit EIA or IEE report to PAA in Sinhala, Tamil or English for review and approval. These reports are translated into the other two national languages.

44. Public disclosure of an environmental assessment report in the form of EIA or IEE for comments and suggestions is done by PAA. Comment and suggestion from the public will be taken into consideration in approving or rejecting the project proposal and if approved, in finalizing environmental assessment reports. The PAA will announce in national newspapers in three national languages that an EIA or IEE is available for inspection by the public and the time frame (30 days) for comments and complaints and suggestions to submit. It will also disclose the location where it could be examined.

45. PAA and/or CEA review an EIA report. An IEE is reviewed by PAA based on the information, strategies of avoidance and mitigation measures and public grievances, comments and recommendations. A review of an environmental assessment report by CEA and/or PAA is guided by the following criteria:

(i) Environmental considerations are integrated into overall project planning;
(ii) Environmental assessment is sound; and
(iii) Proposed environmental mitigation measures are adequate and effective.

46. If the project is controversial, PAA or CEA may decide to conduct public hearings on the project and environmental assessment. PAA or CEA can also initiate a public hearing if it determines that such hearing would assist in verifying EA's facts and findings, and suggested mitigation measures.

47. PAA in concurrence with CEA decides as to whether a project is to be allowed. An EIA/IEE can be approved subject to conditions which are to be met by PP within the stipulated time frame. If the project is rejected, an appeal by project proponents is allowed.

48. If the project is approved, project proponents and PAA should monitor the implementation of EMP which is set out in EA as remedial actions and ensure that meet the standards established.

49. On the whole, the application of environmental laws and regulations to development projects is satisfactory. The environmental assessment process is well understood by government departments, officials, and by the public. The courts have insisted on its proper adherence in important cases such as the Eppawela phosphate mining project. Environmental assessment process has succeeded in introducing mechanisms for transparency, consultation, and disclosure of environmental assessment reports, their results and monitoring reports. It allows the public to review of projects.

50. EPL procedure is adopted for ongoing Industries and activities and are listed in Gazette Notification No 1533/16 of 25.01.2008 (Annex 2.1). Industries are categorized as A, B and C depending on their pollution potential. EPL for industries under "A" and "B" are obtained from the relevant Provincial Offices or District Offices of the CEA. Part "C" comprises of 25 low polluting industrial activities which have been delegated to Local Government Authorities, such as Municipal Councils, Urban Councils and Pradeshiya Sabhas.

51. The Local Authorities (LA) have provisions under their respective acts to safeguards and provide useful facility and maintain the same for the convenience of the public in their
The Municipal Council (MC) Act No. 19 of 1987 & Urban Council (UC) Act No. 18 of 1987 provide for the establishment of MCs and UCs with a view to provide greater opportunities for the people to participate effectively in the decision-making process relating to administrative and development activities at a local level and it specify the powers, functions and duties of such LAs and provide for matters connected therewith or incidental thereto. These acts contain sixteen and eight parts respectively, several schedules and 327 & 249 sections respectively. The MC act, spell out its status, powers & functions in Section IV, Section V and Section VI in sections 34 to 154 and covers public health, drainage, latrines, unhealthy buildings, conservancy & scavenging, nuisance etc. Further the respective local authorities have mandate regionally to implement the project activities and monitor the progress of compliance work.

52. There are several other key national agencies with a mandate for environmental management and protection. The Forest Department, Department of Wildlife Conservation, Department of Archaeology, Department of Coast Conservation and Coastal Resources Management, Disaster Management Center and Geological Survey and Mines Bureau have their regional offices and staff to cater to and monitor the environmental safeguards as per the policies and regulations governing them. In addition, there are several national agencies that are impacting on the environment and adopting environmental safeguards as well. They are the Sri Lanka Land Reclamation and Development Corporation, Urban Development Authority, Water Supply and Drainage Board, Water Resources Board and Irrigation Department. The Annex 2.3 lists 26 legislations, policies and treaties important for environmental management

B.2 Environmental Requirements of the ADB

53. RDB has to satisfy not only the local environmental laws and regulations, but also the environmental safeguard principles of ADB.

54. The proposed Strengthening the regional Development Bank Project, is category FI for safeguards. RDB has a safeguard focal person and technical assistance under TA-9711 SRI: Strengthening the Regional Development Bank Project-2B a safeguard consultant to work as an environmental and social safeguard and support the ESMU manager for 12 months.

55. The environmental safeguard policy principles of ADB are embodied in the Safeguard Policy Statement of 2009. It applies to all projects supported by ADB. Safeguard Policy Statement (SPS) aims to (i) help avoid adverse project impacts on the environment and on affected people and communities, (ii) minimize, mitigate and/or compensate for adverse project impacts, if unavoidable, (iii) help borrowers to strengthen their safeguard systems; and (iv) develop their capacity in managing the environmental and social risk.

56. The environmental safeguards policy principles are:

(i) Use a screening process for each project as early as possible to determine its potential impacts and appropriate environmental assessment.

(ii) Conduct environmental assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks.

(iii) Examine alternatives to the project's location, design, technology, and components, and their potential environmental impacts.
(iv) Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts. Prepare an ESMP to address them.

(v) Conduct meaningful consultation at the early stage of project preparation that continues during implementation in an atmosphere free of intimidation or coercion, gender inclusive and responsive, and tailored to the needs of disadvantaged or vulnerable groups. Establish a grievance redress mechanism to address complaints and conflict resolution.

(vi) Disclose draft environmental assessment including the ESMP in a timely manner before project appraisal in an accessible place and in a form understandable to affected persons and other stakeholders. Disclose final environmental assessment and ESMP and their updates to all stakeholders.

(vii) Implement the ESMP and monitor its effectiveness.

(viii) Do not implement project activities in areas of critical habitats unless (i) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (ii) there is no reduction in the population of any recognized endangered or critically endangered species, and (iii) any lesser impacts are mitigated. If a project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area. In an area of natural habitats, there must be no significant conversion or degradation, unless (i) alternatives are not available, (ii) the overall benefits from the project substantially outweigh the environmental costs, and (iii) any conversion or degradation is appropriately mitigated. Use a precautionary approach to the use, development, and management of renewable natural resources.

(ix) Apply pollution prevention and control technologies and practices consistent with international good practices.

(x) Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease.

(xi) Conserve physical cultural resources and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts during environmental assessment.

57. According to Safeguard Requirements 1 of the ADB Safeguard Policy Statement (2009): Environment categorization of the ADB. A proposed subproject is assigned one of the following categories depending on the significance of potential environmental impacts and risks:

(i) **Category A.** A proposed subproject 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. An environmental impact assessment (EIA), including an environmental management plan (EMP), is required.

(ii) **Category B.** A proposed subproject 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. An initial environmental examination (IEE), including an EMP, is required.

(iii) **Category C.** A proposed subproject is classified as category C if it is likely to have minimal or no adverse environmental impacts. An EIA or IEE is not required, although environmental implications are reviewed and subproject specific environment management plan is framed, as necessary.
58. Until ADB has approved RDB’s ESMS only subprojects that are category C for the environment are eligible. Thereafter, subprojects that are category B for the environment may also be financed. RDB will fund subproject that meet the below criteria:

(i) Subprojects that do not belong to exclusion lists of RDB  
(ii) Subprojects not belonging to the Prohibited Investment Activities Listed under ADB SPS (Appendix 1)  
(iii) Subprojects that are screened as category B or C for environment  
(iv) Subprojects that are screened as category C for involuntary resettlement and Indigenous Peoples.

59. A subproject’s environment category is determined by the category of its most environmentally sensitive component, including direct, indirect, induced, and cumulative impacts. Each proposed subproject is scrutinized as to its type, location, scale, sensitivity and the magnitude of its potential environmental impacts. The level of detail and comprehensiveness of the EIA or IEE will be commensurate with the significance of the potential impact and risks.

C. Applicable Social Safeguard Requirements /Legal framework

C.1 Domestic Legal Framework on IR and IP

60. The Sri Lankan laws governing matters relating to land, such as land acquisition, recovery of state lands, claiming rights of acquisitive prescription, declaration of reservations, compensation for property losses, and compensation for improvements in Sri Lanka are contained in a number of legislative enactments, and these are listed below:

61. Land Acquisition Act No. 9 of 1950: It guarantees that no person is deprived of land except under the provisions of the LAA. Project Affected Persons (PAPs) are entitled to receive compensation for the loss of lands, loss of fixed assets, and loss of income. Details of the Act and its applicability to the Project is included in the RPF prepared.

62. Land Acquisition Regulations 2008 (LAR 2008): Under this act the regulations includes the provision of statutory payments of compensation for affected land at market rates, reconstruction cost of structure without depreciations, valuation for whole plot of land for determining proportional unit cost for the affected land parcel, business losses, relocation assistance. Details of the Act and its application to the Project is included in the RPF prepared under the Project.

63. Land Acquisition Regulations 2013 (LAR 2013): Act provides for a compensation package that goes beyond that prescribed in the LAR 2008, including ex gratia and non-statutory payments of compensation through the Land Acquisition and Resettlement Committee (LARC) and Super LARC systems for ‘specified projects’ by the Ministry of Lands.

64. National Involuntary Resettlement Policy 2001 (NIRP): The Policy includes several principles/features that brings the acquisition, resettlement, and rehabilitation procedures of the GOSL closer to World Bank’s policies. Some of these include: avoiding involuntary resettlement to the extent possible; guaranteeing adequate compensation, based on replacement value; inclusion of PAPs in decision-making relating to relocation and resettlement processes.
65. In addition to the above laws and policies, there are several other legal instruments in Sri Lanka that address issues gender equity and marginalized communities in Sri Lanka. These are listed below in detail in Annex 2.4

66. **Poor Law Ordinance No. 30 of 1939:** The Ordinance was introduced initially in the municipalities of Colombo, Kandy and Galle, and further strengthened by the Social Service Commission in 1947 by extending the social safety net to the other parts of the country. This Ordinance provided the basis for social safety nets enacted by the Government for the sake of the poor and poverty alleviation (e.g. programs such as ‘Janasaviya’ and ‘Samurdhi’) with the aim to improve the quality of life of the poor.

67. Other Ordinances and Strategies for Protection of Women and Children. Women are considered equal to men under the general law, including inheritance rights, and the Constitution of Sri Lanka 1978. It guarantees fundamental rights and nondiscrimination on grounds of sex, and provides for special measures to ensure women's right to equality. There are no legislative barriers to prevent women working outside home or engaging in financial transactions. In 2017, the GOSL amended local government election law to provide for 25% of women’s representation in local government institutions. Girls’ have equal access to education and gender parity in all three levels (primary, secondary, and tertiary) of education which has enabled gender equality in education.

68. The National Action Plan for the Protection and Promotion of Human Rights 2011–2016 has eight sections of which one section spells out the rights of women as the government’s “commitment to ensuring gender equality.” These rights are expected to ensure economic empowerment; protection of women against violence; and elimination of discriminatory laws, policies, and practices.

C.2 Social Safeguard Requirements of the ADB

69. According to Safeguard Requirements 2-3 of the ADB Safeguard Policy Statement (2009): Involuntary resettlement categorization. A subproject is assigned one of the following categories depending on the significance of the probable involuntary resettlement impacts:

(i) **Category A.** A proposed subproject is classified as category A, if it is likely to have significant involuntary resettlement impacts. A resettlement plan, including assessment of social impacts, is required. The involuntary resettlement impacts are considered significant, if 200 or more persons will experience major impacts, which are defined as (a) being physically displaced from housing or (b) losing 10% or more of their productive assets (income generating).

(ii) **Category B.** A proposed subproject is classified as category B, if it includes involuntary resettlement impacts that are not deemed significant. A resettlement plan, including assessment of social impacts, is required.

(iii) **Category C.** A proposed subproject is classified as category C, if it has no involuntary resettlement impacts. No further action is required.

70. **Indigenous peoples categorization.** A proposed subproject is assigned to one of the following categories depending on the significance of the potential impacts on Indigenous Peoples:

(i) **Category A.** A proposed subproject is classified as category A if it is likely to have significant impacts on Indigenous Peoples. An Indigenous Peoples Plan (IPP), including assessment of social impacts, is required.
(ii) **Category B.** A proposed subproject is classified as category B if it is likely to have limited impacts on Indigenous Peoples. An IPP, including assessment of social impacts, is required.

(iii) **Category C.** A proposed subproject is classified as category C if it is not expected to have impacts on Indigenous Peoples. No further action is required.

71. Category C allowed under the strengthening regional development bank project, sub project that are category A, B for involuntary resettlement and indigenous people are ineligible.

**D. ADB Safeguard Requirements for RDB:**

72. According to Safeguard Requirements 4 of the ADB Safeguard Policy Statement (2009), the special requirements for different finance modalities are the following:

(i) For subprojects with minimal or no adverse environmental impacts and no social impacts: RDB subprojects will be treated as category C and need not apply any other specific requirements. In practice, ADB only requires the RDB to have a screening procedure ready to select activities with environ-social impacts at category C level, and such procedure needs to be agreed by ADB and RDB before the project’s approval.

(ii) For all other RDB projects: the arrangement for environmental and social management system (ESMS) is required and to be agreed by ADB and RDB before the project approval. Before the first disbursement, the ESMS needs to be established at RDB as part of RDB’s overall management system to meet both national laws and ADB requirements. 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.

(iii) Where the subprojects financed by the RDB using ADB funds, through either credit-line, other loans, equity, guarantee, or other financing instruments, have potential for adverse environmental or social impacts (namely, category B), the RDB will be required to ensure that such subprojects meet ADB’s requirements specified in Safeguard Requirements 1–3, including information disclosure and consultation.

(iv) In such cases, the RDB will refer these subprojects to ADB early in its due diligence process. ADB will assist the RDB with the appraisal of these subprojects. ADB will review the due diligence information collected by the RDB, determine any additional information needed, assist with determining appropriate mitigation measures, and specify conditions under which the subprojects may proceed. For such subprojects, the borrower/clients will submit EIA/IEE, resettlement plan and/or IPP to ADB for clearance before subproject approval. ADB may also set additional requirements for the RDB’s activities more generally depending on the its portfolio and the host country’s safeguard systems. ADB will monitor the RDB’s performance on the basis of its environment and social management system.

**III. ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES FOR RDB**

**A. Screening and Selection of Subprojects Not Financed by DFIs**

73. An Environment and Social Due Diligence (ESDD) will be conducted to review any potential environmental and social risks associated with the projects/ activities for which a loan application is received and ensures that the transaction does not carry an environmental and social risk that would pose a potential liability/ risk to the bank. For this purpose, RDB uses the Environmental and Social Screening Checklist to evaluate the subproject. (Refer Annex
3 and 4). For all projects that are less than Rs. 2.5 (USD 139,275.77) million screening form Annex 3.2 will be applicable. Where as for projects which receive more than 2.5 (USD 139,275.77) million financial assistance will follow annex 3.1.

74. During the initial stage of identifying of a subproject, loan applications will be initially screened in line with the national environmental and social laws, bank’s environmental and social policy principles. The subprojects/activities for which loans are applied would be categorized based on the domestic environmental and social safeguard laws of Sri Lanka. Under the National Environmental Act there is two lists of projects, one, the list of “Prescribed Projects” for which an IEE or EIA is required for development and operation (Annex 2.1) and the other which lists out the activities (primarily industrial activities) that require an Environmental Protection License (EPL) by CEA for operation (Annex 2.2).

75. The level of environmental and social risk will vary greatly for different types of financial transactions and by industry sectors. At RDB majority of the industries fall with the SME sector. Therefore RDB will determine the environmental and social risk of a subproject by factors such as scale and location and magnitude of potential environmental and social impacts.

76. During the bank screening procedure subproject will be evaluated for environmental and social clearances and if it is found to be a prescribed project that requires an EIA/IEE the bank will direct the borrower to the CEA/PAA for clearance. In the event the subproject does not fall within the prescribed list of projects then the sub borrower will be requested to obtain a recommendation letter or an Environmental Protection License (EPL) from CEA or relevant approving agency.

77. The bank will ensure that the subproject has adhered to the domestic environmental clearance requirements of the CEA. The NEA EIA procedure given in sections 34 to 49 as summarized above.

78. During the evaluation process at the CEA, if the subproject is listed as a Prescribed Project under the domestic regulations, requiring to undergo the EIA process. The subproject company submits preliminary information of project details to the CEA by filling the Basic Information Questionnaire (BIQ) of CEA.

   (i) Based on the information given in the BIQ the CEA decides whether the subproject requires to undergo an IEE or EIA and issues a Terms of Reference (TOR) for the EIA or IEE.

   (ii) The subproject company appoints a team of consultants (such consultants are selected from an accredited list that is available with the CEA) to conduct an EIA or IEE according to the TOR. Once the EIA or IEE report is submitted to the CEA it will be reviewed for adequacy. If found to be adequate it will open for public comments for 30 days.

79. A technical evaluation committee (TEC) appointed by the CEA would review the EIA or IEE report and the public comments and approve or reject the subproject. When the approval is given it is based on that fact that the Project Owner/ Project Proponent will meeting compulsory conditions during the project cycle.

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2 USD Dollar Conversion rate is 179.5071
80. The Prescribed Projects list for EIA/IEE approval is given in the Gazette Extra Ordinary No 772/22 of 24th June 1993, No: 1104/22 dated November 1999, and no 1108/1 dated 29th November 1999. Part I of this regulation shows that (Annex 2.1) the prescribed projects specifying the magnitude and scale of project that requires to undergo the EIA/IEE procedure. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or partly within the areas specified in part III of the Schedule will need to undergo the EIA/IEE procedure. Part II of the schedule lists the types of industries which need to undergo the EIA/IEE procedure if located wholly or partly within the areas specified in Part III of the Schedule.

1. Category A (High Risk) Projects/ Activities

81. These loan applications will be forwarded to the “ESMU” for the conduct of due diligence. For all the projects/activities that are included as prescribed projects under NEA (Refer Annex 2.1) the procedure that is laid down below will be followed. The subproject company would be required to fill and submit a basic information questionnaire (BIQ) of the subproject to the CEA. Based on the response of the CEA it will be decided whether an EIA or IEE report has to be prepared. The subproject company will get the services of an expert or team of experts to prepare the required report and submit to the CEA. Upon review of the submitted reports and on public comments the CEA may either approve the subproject with conditions of approval or they may reject the project/activity based on adverse and irrevocable environmental and social impacts.

82. The bank will not finance subprojects that are prescribed projects of the NEA unless and until they are granted approval by the CEA or the respective project approving agency as per the gazetted regulations.

83. Once the project is approved by the CEA and on receiving the clearance, the bank will process the loan application. Carrying out the ESDD by the bank will allow the subproject owner to propose mitigation measures and monitoring plan and will ensure that it complies with the conditions stipulated in the approval issued by the CEA or the Project Approving Agency. And these conditions will be laid down by a panel of external experts. With the expertise and advanced training given to the staff of the ESMU, they will be in a position to conduct the Due Diligence themselves. If they still need expert advice, then these proposals could be referred to external experts.

84. ESDD procedures and requirements for Category A projects which are listed as prescribed projects requiring an EIA/IEE in the NEA and which are not financed by a DFI the bank offers a loan approval process that includes the environmental and social screening process. Initially the subproject company fills out and submit the BIQ to the CEA. Once the subproject approved by the CEA with the IEE/EIA reports and other relevant documents prepared by the subproject owner. Then bank will review the conditional approval granted by the Project Approving Agency. Thereafter, the bank reviews the EMP that is submitted for the subproject. Based on the information received, the bank will prepare an ESDD report stating the conditions and the monitoring requirements that need to be included in the loan disbursement agreement.

85. For Category A projects which are listed as Part A type of projects/activities requiring to obtain an EPL under the regulations No 15533/16 of 25.01.2008 (Annex 2.2) involves that the subproject owner submits the impact identification form to the CEA. Upon obtaining the EPL the bank will review the conditions that are laid down in it. Based on this information an
ESDD report. The ESDD report will lay down the conditions and requirements that need to be included in the loan agreement. The coordination of all the above activities would be done by the designated officers of the Environmental Social Management Unit.

2. Category B (Medium Risk) Projects/ Activities

86. The bank will request that the subproject owner fills a impact identification form and submit it to the CEA. Upon CEA granting the EPL, the bank will prepare an ESDD report (Refer Annex 3.1) stating the environmental and social regulatory requirement the loan agreement should include the condition for approval. The safeguard officer of the ESMU will carry out this duty.

3. Category C (Low Risk) Projects/ Activities

87. For subprojects/ Activities listed as Part C projects of the EPL gazette the steps include that initially the loan applicant will be requested to submit a valid EPL. In the absence of such document will be directed to the respective Local Authority to obtain the EPL. Upon obtaining the EPL the bank will review the stipulated conditions on the EPL and then prepare an ESDD report (Refer Annex 3.1 and 3.2) stating the condition and requirement that need to be included in the loan agreement.

B. Screening and Selection of Sub-projects Financed by DFIs

88. For donor funded credit lines such as ADB, RDB will follow the environmental and social safeguards policy of the donor financing institution (ADB) and the domestic environmental and social legal framework for such subprojects. For such sub projects the designated staff officers of the ESMU of RDB will be in charge of the ESDD. Depending on the complexity of the subproject, due diligence can be a desk review (for Category C subprojects), based on a site visit (for Category B subprojects) or a full-scale review conducted by qualified staff in charge of environmental and social safeguards, or by consultant(s).

89. To ensure selection of subprojects meet both domestic and ADB’s environmental requirements, an environmental screening procedure with selection criteria is developed. This procedure will check for the criteria that is listed below.

(i) Subprojects belonging to the ADB’s Prohibited Investment Activities List (PIAL, see Appendix 1.1) according to SPS (2009) will not be eligible;
(ii) Subprojects belonging to prohibited or discouraged List of Activities of Sri Lanka or RDB will not be eligible (see Appendix 1.2);
(iii) Subprojects exceeding the maximum sub loan size of 278,536.00 USD3 (LKR 50 Mn) will not be eligible for the project support in general.
(iv) All subprojects that have pass the above criteria (1)-(3) will need to fill in the environmental screening checklists (See Appendix 3) (for below LKR 2.5 Mn sub projects Appendix 3.2) for further screening of their nature, scale and siting to determine possible adverse environmental impacts and thus their category.
(v) Social safeguard screening /selection criteria:(see Appendix 4 for social screening checklist)
(vi) Other criteria: Subprojects with potential social and environmental impacts at category A level as defined by ADB’s safeguard policy will not be eligible”. Subproject requiring full EIA report by domestic EIA regulation but not equal to ADB’s category A impacts will be eligible.(ADB category B projects)

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3 USD Dollar Conversion rate is 179.5071
90. Until ADB has approved RDB’s ESMS, RDB will only fund subprojects that are classified as category C for environment, involuntary, resettlement and indigenous people screening. In the event a subproject is covered under the EIA/IEE requirements the list of projects for which an EPL is required will also be referred to in the screening and categorization stage. The domestic regulations provide a list of industrial activities/projects for which an EPL is required for operation by the Gazette Extra Ordinary No 1533/16 of 25th January 2008. This list consists of three parts, Part A, Part B and Part C categorized as high polluting, medium polluting and low polluting activities/projects. In the screening/categorization procedure of the bank those listed under part A would be categorized as “High Risk Projects” or Category A projects, those listed under Part B would be categorized as ‘Medium Risk Projects’ or Category B projects and those listed under Part C would be categorized as ‘Low Risk Projects’ or Category C projects.

91. For all subprojects listed as Prescribed Projects (requiring EIA and IEE) and those requiring an EPL the loan applicant would be informed of the requirements and these approvals would be reviewed by the ESMU. All subproject investment agreements will contain appropriate environmental and social covenants requiring subproject to be in compliance in all material respect with the applicable environmental and social safeguard requirements. The bank will adhere to the EIA and IEE process of the domestic regulations given in Annex 2 for all subprojects.

92. The need to comply with ADB’s involuntary resettlement safeguard policy principles and indigenous peoples safeguard policy principles does not arise in RDB financed projects, as its credit risk assessment procedure will not allow activities that could have potential involuntary resettlement impacts or impacts on indigenous people.

93. Once completing the above criteria, screening checklists and the verification works will be carried out by the ESMU of RDB. Thereafter subproject will be classified into one of the following categories: category B (with less significant environmental impacts), or category C (with minimal or no environmental impacts and no social impacts). Until a fully functional ESMS is in place category B projects will not be financed by RDB.

94. For screening and categorization, a preliminary rapid assessment of the likely environmental and social impacts including involuntary resettlement impacts and effects on indigenous peoples would be carried-out for all subprojects. The Environmental safeguard officer of the ESMU will work with the subproject company for this purpose.

95. Soon after filling the checklists is completed the subproject will be classified as one of the following categories: Category B (with less significant environmental impacts), and Category C (with minimal or no environmental impacts and no social impacts). The ESMU of the bank will take care to assure that the subproject company is fully aware of the applicable safeguard requirements of the ADB.

96. A due diligence review report will be prepared by the RDB for B subprojects that require and IEE/EIA and the results of the due diligence will be reflected in the report to the subproject committee of RDB (Executive Credit Committee (ECC), Board of Credit Committee (BCC)), which will take into account these issues in approving the subproject. For environmental and social category C subprojects, their completed safeguard screening checklists (Annex 3) will suffice as due diligence review file and will be given directly for loan processing. Projects with
a loan disbursement limit of Rs. 2.5 million (USD 139,275.77\(^4\)) will fill in Annex 3.2 environmental screening form.

97. For a subproject using ADB funds and likely to be classified as category A for environment, and category B for involuntary resettlement or indigenous peoples impacts, RDB will not finance the subproject.

98. All subproject investment agreements will contain appropriate environmental and social covenants requiring subproject to be in compliance in all material respects with the applicable environmental and social safeguard requirements as defined in Section II (B-D).

C. Environmental Documentation and Consultation Required

For Category B subprojects

99. The subproject owner needs to carry out simplified impact assessment, disclose the drafts for public consultation and prepare initial environmental assessment (IEE) report as early as possible. The IEE includes an Environmental Management Plan (EMP) that addresses the potential impacts and risks identified through the assessment and consultation. The outline of IEE is similar to that of EIA (see Appendix 5) except that alternative analysis is optional.

100. 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 subborrower will allocate funds for the implementation of the EMP for the subproject. Prior to implementation, the subborrower shall ensure through a contract that its contractors/subcontractors are bound and abide by the EMP. The RDB will monitor the EMP implementation.

For Category C subprojects

101. The subproject owner/subborrower needs to fill in the application form as part of the environmental screening checklist (i.e. part 1 of Appendix 3.2) and provide other supporting documents as needed by the RDB. Subproject borrower fills and submit to CEA/ LA, the Questionnaire on Environmental Impact Identification to assess the subproject. Based upon the information given by the sub borrower an environmental recommendation letter will be issued by relevant local authority (LA) or direct to the procure on granting an EPL. ESMU at RDB will review the conditions of approval issued by the LA. The Environmental-Social Management unit (ESMU) at RDB will follow the screening procedure above, fill out the rest of the screening checklist, determine the category, and recommend on selection or rejection on environmental-social ground.

102. The bank will prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement.

103. For those subprojects/ activities not listed in RDB’s exclusion list and ADB’s PIAL (Annex 1.1), the environmental and social screening will be filled by the credit officer upon a site visit. The coordination of the review of Category C projects would be done by the credit

\(^4\) USD Dollar Conversion rate is 179.5071
officers. This is after obtaining the environmental and social categorization clearance from the ESMU. The process is outlined in Figure 4.2.

Information Disclosure and Public Consultation:

104. For category B subprojects, ADB requires their environmental assessment reports and EMPs be publicly disclosed in language and form accessible to project affected people and the public at large. The announcement in local media (newspapers, radio, TV, bulletin boards, internet as appropriate) should include briefing of subproject (similar to those the subborrower filled in screening checklist part 1, major environmental concerns, key findings of EIA or IEE, proposed mitigation measures in the EMP etc, with draft IEE/EIA/EMP provided electronically and in hard copy at RDB project website and office for the public review. The announcement should notify the time, place of such report disclosure, and ways for the public to provide feedback.

105. Any public consultation starts only after sufficient information disclosure for the public. After adequate disclosure of draft documents (two weeks at least or as per domestic requirement, whichever is longer), public consultation should be conducted in meaningful way, i.e. combination of public meeting, individual interview and questionnaire survey. The public consultation should focus more on affected public instead of local officials.

106. The final IEE and EIA report shall document in detail the date, places, topics, method, number of participants, their composition by age, gender, profession, education level etc to show the representativeness, main concerns expressed and how these concerns are addressed in the EMP and the project design. The disclosure requirement for social safeguard is the same as that for the environment described above for category C subprojects. However, under the DFI credit lines, the bank will only finance subprojects that are categories as C for social safeguards. For category B projects, the subborrower will be requested by the RDB bank to display a name board reflecting the banks involvement in financing so that any social grievances could be directed to RDB for possible mitigation. Prior to loan disbursement, the bank staff will evaluate and consult the neighborhood during their initial environmental and social screening and appraisal of the subproject.

D. Social Safeguard Documentation and Consultation Required for Resettlement

107. Under the ESMS the bank will engage in projects that are classified as C for the involuntary resettlement. If a proposed subprojects is classified as category C, if it has no involuntary resettlement impacts. No further action is required

108. Land acquisition and involuntary resettlement: Subprojects financed under RDB may require small parcel of land. RDB will ensure that land parcels selected will be

(i) Free from any structures (s)
(ii) Free from any vegetation cover or any improvements and
(iii) Directly purchased on a “willing seller and willing buyer” basis

109. The purchase of land will be a private transaction and shall not require intervention of government’s land acquisition procedure and shall not trigger the safeguard requirements 2 and 3 of ADB’s SPS (2009)

E. Social Safeguard Documentation and Consultation for Indigenous Peoples
110. In the Sri Lankan context there will not be any significant impact on the Indigenous Peoples (IP). The proposed subprojects to be financed by RDB is will be limited to category C. Therefore, no further action is required.

F. Due Diligence Review and Approval

111. The Environmental and Social Management Unit of RDB will undertake environmental and social due diligence. Depending on the complexity of the subproject, the review can have the following approach:

- For category C subprojects: due diligence can be a desk review mainly;
- For category B subprojects: desk review of its safeguard documents (e.g. IEE/EMP, RAP etc), domestic clearances or permits, and possibly followed by a site visit;
- For category A subprojects: a full-scale review conducted by qualified staff in charge of environmental and social safeguard specialists, or by consultant(s) on its safeguard documents (EIA/EMP, RAP etc), domestic clearance and permits, and site investigation.

112. Subborrower is requested to fill-out and submit the Environmental Impact Identification form to the CEA, upon grant of EPL, the RDB safeguard officer of ESMU will review the conditions of approval issued by the CEA. Sub borrower will be requested by the bank to display a name board reflecting the banks name on subproject it finances so that any environmental impact associated grievances could be directed to the bank for possible mitigation.

113. RDB will prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement. The coordination of all the above activities would be done by the designated officers of the ESMU.

G. Implementation and Compliance Monitoring and Reporting Implementation responsibilities

114. For environment category B subprojects, the subborrower is responsible for implementing the measures proposed in the EMP which combines ADB and domestic requirements. During the sub-project tendering and contracting, the subproject owner/subborrower needs to ensure that EMP measures be included in all bidding documents and subsequent contracts for subproject construction and operation.

115. During sub-project construction/installation and operation, the subproject owner/subborrower is responsible for ensuring compliance with all applicable environmental, health and safety requirements through the EMP implementation, among others. The subproject owner also needs to ensure that the RDB can have access to subproject site and obtain necessary information to supervise the subproject.

116. The RDBs need to cause the subprojects to follow the EMP and other applicable requirements through various means, namely, (i) include clauses in subloan agreement/sub-project contract regarding implementation of the EMP measures by subproject owner and compliance with domestic and ADB requirements, (ii) check subborrowers’ bidding documents to verify if they include or refer to the subproject’s EMP; (iii) onsite supervision by RDB or by external experts engaged, preferably together with relevant local authorities, and (iv) the Grievance Redress Mechanism (GRM) set up at the RDB.

G.1 Supervision and Monitoring
117. For category C subproject, onsite supervision is usually not necessary. Instead, the RDB needs to indicate the actual environmental impacts or benefits prior to engagement of the loan. After the loan disbursement if there are any environmental or social non-compliance issues are found then on-site supervision should be increased. Through the environmental friendly loan scheme offered by the bank the owner/sub borrower will be encouraged to apply for such facilities and mitigate the environmental & social impacts. Details of such loan scheme is available in (Annex 2.5).

118. For environment category B subprojects, the RDB should carry out on-site inspection including checking the EMP compliance during the contract period of subloan and record findings in similar but simplified manner is expected. If the issues are found unresolved, the frequency of on-site supervision should be increased. Encourage the owner/sub borrower to apply for loan mechanism that promote cleaner productions.

119. Subproject EMP budgets will reflect the costs of monitoring and reporting requirements. Monitoring reports will be posted in a location accessible to the public in their subproject websites. The RDB will document monitoring results, identify the necessary corrective actions, and reflect them in a corrective action plan. The structure of the monitoring report is given in Appendix 7. The RDB, will study the compliance with the action plan developed in the previous review. Compliance with loan covenants will be screened by the RDB.

G.2 Non-compliance

120. In the event the sub borrower/owner of the sub project is noncompliant with the environmental and social requirements as stipulated in the domestic or ADB safeguard regulation then ESMU will highlight these issues and reject the loan based on noncompliance with the domestic environmental or social regulation and the ADB safeguard requirements. Action will be taken to halt the release of the final tranches of the loan will not be disbursed until compliance is received. The bank will promptly report to the relevant DFI (ADB) any actual or potential breach of the compliance requirements after becoming aware of it.

G.3 Reporting

121. For Category B and C subprojects: they are usually borrowed by SMEs with low capacity. To reduce unnecessary burden on them in participating in the project, they only need to provide data and necessary information requested by the RDB. The RDB will prepare annual environmental and social (E&S) management report to ADB, based on data it gathered, its review and on-site supervision of all subprojects’ implementation of their safeguard requirements IEE/EMP, RP etc) and applicable domestic environmental-social requirements. The outline of Annual E&S Report is proposed in Appendix 6. The environmental and social performance of on-going projects will be evaluated on a periodic basis (e.g. quarterly, annually) by the credit officer. During this review process the sub project will be subjected to periodic reporting and this includes reports of incidents and accidents. During the loan disbursement process the credit officer and the environmental safeguard officer at ESMU will follow up with subprojects to ensure that plans for corrective actions to address potential environmental and social risks are effectively implemented (as required in the terms of the loan agreement). This procedure of follow up with projects in cases of non-compliance will ensure these are corrected within 13 days of identification of a problem. During the follow up
process if the subprojects is identified for non-compliance it will be ensured that mitigation is adopted reasonable timeframe with help from consultants as necessary.

122. RDB will promptly report to ADB any actual or potential material environmental or social non-compliance. If the periodic reports or ADB’s reviews conclude that the ESMS is not functioning properly, the RDB will be required to develop a time-bound and budgeted corrective action plan agreed with and submit to the ADB.
IV. ORGANIZATIONAL RESPONSIBILITIES, RESOURCES AND CAPACITY

A. Current Environmental-Social Arrangement of the RDB

Implementation of ESMS is a bank-wide activity involving Environmental and Social Management Unit (ESMU), legal department and all other departments dealing with credit administration, risk management, compliance management, legal reporting, human resources and training and information technology, and any other relevant committees and sub committees. However, for DFI-funded projects, the overall responsibility will be with the Project Management Unit of the bank. RDB has already established an ESMU unit with respective budgetary allocations and staffing (Refer RDB ESMU organizational structure Fig 1.1). The members of the ESMU will be assigned with following duties and these have been listed in Table 4.1. Once the strengthening RDB project is completed the established ESMU will still continue to operate as a unit which will engage in project categorization and screening of project for environmental and social risk. The procedures that are adopted in the ESMS will be practiced in the banks overall loan engagement process after the completion of the project.

Table 4.1: Draft Responsibility Matrix For ESMU/ PMU at RDB

| ESMU Manager | • Set up, implement and revise the ESMS  
• Draft operational manuals for social and environmental screening and risk assessment  
• Obtain bank’s management approval on these manuals  
• Work with banks management to ensure that adequate company resources have been committed to allow for the effective implementation of the environmental and social strategies and procedures of the bank.  
• Over sight on all environmental and social issues associated with the bank financed projects  
• Coordinate with the GM and the higher management of the bank to ensure the resources are made available for environmental and social management of the subproject  
• Assessment of general environmental awareness of staff and contractors  
• Be in overall charge of Due Diligence  
• Maintenance of the Register of Legal and Other Requirements.  
• Control of documents, forms and records required by the ESMS.  
• Provide annual summary statements on E&S compliance of the Bank’s loans to relevant agencies.  
• Work very closely with the Legal Department and the Approving Authorities to ensure that clarifications sought from these departments are resolved with regard to procedures to be followed in respect of High Risk Projects.  
• In case of High Risk projects, He/ She will also be responsible for liaising with the officials of relevant government Institutes and Lending International Bank with respect to know the compliance requirements.  
• Ensure that all loan decisions are supported by appropriate environmental and social reviews |

5 Officers in the ESMU are assigned as the Project Management Unit (PMU) of the Strengthening RDB project. The project management unit is headed by the General Manager of the bank/ CEO. The budgetary allocations and staff recruitment decisions for the ESMU will be carried-out by the CEO and it will be supported by the Chief financial officer, DGM (credit & recoveries), Head of HRD and Administration. This unit will function as the project administration and management unit.
<table>
<thead>
<tr>
<th>Role</th>
<th>Duties</th>
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| **Safeguard officer** |  - Final compliance check on social and environmental review of subproject  
- Singing of subprojects for environmental and social screening prior to loan disbursement  
- Check and sign the annual environmental and social monitoring report to the ADB.  
- Participate in loan decision-making process in the case of high risk subproject.  
- Be part of the grievance redress mechanism of the subproject associated Environmental/ Social issues  
- Ensure that the ESMS procedures are implemented for each subproject  
- Maintaining records of environmental reviews  
- Exercising due diligence where necessary and ensuring that all investment decisions are supported by appropriate due diligence documentation where necessary  
- Evaluating the level of environmental compliance of the loan applicant.  
- Supervising subprojects for their compliance with applicable E&S requirements.  
- Screen projects against Applicable Requirements (e.g., Exclusion List/national laws)  
- The preparation of an Annual Environmental Performance Report, based on the annual performance reports submitted by the client companies.  
- Provision of assistance to the legal department which will ensure that appropriate environmental representations, warranties and covenants are incorporated in each stock purchase agreement.  
- Maintenance of a file of qualified environmental consultants who can be called upon to assist in conducting environmental reviews/carry out the review with the ADB TA assistance  
- Maintenance of the Responsibility Matrix, including records of incumbents in positions and roles, competence requirements, competence possessed, training needs, training plans and training undertaken.  
- Asking client to fill Bank’s E&S questionnaire for category ‘B’ projects.  
- Collect and study other relevant documents (audit reports, etc.).  
- Internet research on potential risks/potential NGO interest.  
- Visiting the site.  
- Prepare an E&S Review Summary Report (typically 2-4 pages) in a pre-described format.  
- Make representations to the approving authorities on E&S Risks of an ‘B’ Category project before approval.  
- Check the compliance and screening of projects that are categories as ‘C’.  
- Check the IR, Environmental and the IP screening.  
- Monitor and track project performance on the EMP.  |
| **Project officer** |  - Check the credit screening of the sub project  
- Environmental and social screening of the project  
- Coordination with the regional bank and check for banks environmental and social screening assessment  
- Work with management to ensure that adequate company resources have been committed to allow for the effective implementation of the environmental and social strategies and procedures of the Company  
- Call for additional information from the client/loan applicant pertaining to E&S risk evaluation  
- Monitor and evaluate the subprojects credit worthiness/screening for credit risk  
- Participate in the training session and train the regional staff on the Environmental and social screening procedure under the ESMS.  |
• Monitor and track project performance on the EMP on sub projects.
• Screen projects against Applicable Requirements (e.g., Exclusion List/national laws)
• Filling the internal check list for category B and C subprojects.
• Inform the Clients/ Loan applicants of the decisions based on the initial screening and initial risk categorization.
• Visiting the site for follow up monitoring and take part in Annual Monitoring of E&S compliances of Category ‘B’ Projects

Data Entry officer
• Enter and update the data under the bank financed subproject
• Update the database and generate queries and reports to monitor the subproject
• Assisted in circulation of documentation/circulars to the bank management
• Assist in training and conducting workshops to

Regional Manager
• Screen projects against applicable requirements (e.g., Exclusion List/national laws)
• Monitor and track project performance of low risk projects (category c)
• Based on the concurrence of the ESMU Manager approve the sub project for loan disbursement

Credit Officers
• Screening of the proposals/ loan applications against Excluded Activity List, Bank’s lending policies and national laws.
• Preliminary site visit
• Call for additional information from the client/ loan applicant pertaining to E&S risk evaluation.
• Filling the internal check list for category ‘C’ projects.
• Inform the Clients/ Loan applicants of the decisions based on the initial screening and initial risk categorization.
• Visiting the site for follow up monitoring and take part in Annual Monitoring of E&S compliances of Category ‘C’ Projects.
• Monitor and track project performance on the EMP

124. Senior Management at RDB and one or more representatives from upper management (for example GM and DGM credit and recoveries) will be responsible for the financial institution’s overall commitment to environmental and social objectives. Senior Management establishes the financial institution’s environmental and social requirements and conditions for clients/investees. In cases of unresolved environmental and social issues or non-compliance associated with a transaction that cannot be resolved by the Credit Officers/Relationship Managers, environmental steering committee determines the appropriate course of action to follow to reduce the financial institution’s potential exposure to environmental and social risk, which may include taking legal action against the client/subproject owner.

125. These designated officers of the ESMU are assigned by the Corporate Credit Division for the operationalization of ESMS. The ESMU will be established within credit & recoveries department of the bank. These designated officer at the ESMU report to the Manager of the ESMU. The designated staff officers are in charge of overseeing environmental and social issues and ensures that the resources are made available for environmental and social management. Furthermore, the nominated staff officers such as the ESMU signs and submits the annual environmental and social performance report to funding agencies (i.e. ADB) in case of Donor financed subprojects. All correspondences with the DFI will be reported to the CEO of RDB. RDB would ensure that the DFIs are notified if and when the responsible staff has been changed or replaced with new staff within the EMSU structure.
Figure 4.1: The Organizational Structure of the ESMU and the PMU at RDB
126. The loan applications from subproject companies are generally received by the credit officers who will do the initial screening. The categorization and conditional approval will done by the safeguard officer at the ESMU. Those subprojects which are categorized as environment Category C projects would be processed by the credit officers themselves and endorsed by the safeguard officer of the ESMU. However other project categorized as environment Category B would be endorsed by the Manager ESMU (i.e. Mr. Priyankara) and the environmental safeguard officer (Ms. Uthpala) at ESMU, for environmental and social clearance. The ESMU will coordinate with the respective branch to seek additional information to appraise the project where necessary. While category C projects processing is done by the designated staff officers within the ESMU the social and environmental screening approval will be given by the ESMU manager for B categorized projects only. The decision will be communicated to the head office or regional branch and they would thereafter carry out an evaluation of the credit worthiness of the subproject and then the loan is granted. The monitoring for compliance will be done by the designated staff officers at the ESMU. (This includes the project officers and the environmental safeguard officer). The environmental safeguard officer would also maintain records of the subprojects and monitoring reports at the ESMU. The environmental and social screening process is shown in Figure 4.2.

**Figure 4.2: Environmental and Social Screening Flow Chart at RDB**
RDB engages in developing awareness and concern among staff members on issues faced by society, reinforcing their responsibility towards the bank’s stakeholders and shareholders, and reinforcing the Bank’s responsibilities towards the human wellbeing. The bank will annually allocate 0.4-0.5% (Rs 1.5 Million approximate) of their budget for ESMS implementation. The budgetary allocation for CSR is Rs 9 million (USD 50,000) this is 0.8% allocation from bank’s annual operation budget in 2019. These activities are mainly carried out by the marketing department of the bank. However, the ESMU will work with the bank’s marketing department to identify possible project to reduce bank’s carbon footprint and engage the bank’s client base in activities that are more socially and environmentally impacting and overall contribute to sustainable banking practices.

B. Assessment and Cause Analysis at RDB

Safeguards capacity of the RDB was initially handled by the ESMU manager at the bank and is further enhanced by provision of capacity support by the recruitment of an environmental and social safeguards officer. Currently RDB is not in a position to carry out all safeguards actions required under ESMS independently. Therefore, under the ADB strengthening RDB project technical capacity of environmental safeguards consultant is provided. It will take at least six months for the RDB staff to really put the ESMS mechanism in practice and harness its full potential of environmental and social risk evaluation. Considering the large ticket size and the number of loans that are processed by RDB the effort given to social and environmental screening is minimal. Therefore, the staff time allocated for such purpose is minimal in RDB loan approval process. The financial screening mechanisms of RDB takes more priority over the environmental and social evaluation of a project. RDB staff mindset need to change in order to uptake the environment and social risk evaluation process properly. To manage this training and capacity development activities will be implemented continuously throughout the years. Prior to adoption of the ESMS the document will be evaluated by number of management committees within RDB to check for its compliance with the banks existing legal and policy framework. The draft ESMS will be initially evaluated by the legal department of the bank prior to its adoption by the bank board and the GM. The bank ESMS will be the key process mechanism available for screening of social and environmental risk therefore the newly appointed board will approve it after receiving legal concurrence and approval from the IRMS (Integrated risk management committee of the bank). With the prevailing political environment, a new board was reelected to the bank in January.
V. CONSULTATION, INFORMATION DISCLOSURE AND GRIEVANCE REDRESS MECHANISM

A. Consultation and Information Disclosure

129. Consultation and information disclosure will be a continuous process during the subproject implementation. During the preparation of the IEE, key stakeholders such relevant agencies of GOSL were consulted and local residents within the subproject site were informed about the subproject and the associated activities. Subproject brief information both in English and local language will be posted in billboards located at strategic location(s) within the subproject. After construction works, local government within the subproject site will be informed of the start of operation. Relevant project information will be made available to the public through the website or through a flyer available from the Regional Development Bank.

B. Grievance Redress Mechanism

130. The main objective of the Grievance Redress Mechanism (GRM) is to provide a time-bound and transparent process in filing and resolving potential issues/complaints from the local people in the subproject area. GRM exhibits informal and formal channels, time frame and mechanisms for resolving complaints and evaluated the subprojects environmental and social performance. The RDB will be responsible for handling potential grievances that may arise as a result of the subproject. They will (i) record the complaints, categorize and prioritize them; (ii) consult with all relevant stakeholders (including contractors), visit the subproject site, and do the required investigation; (iii) settle the grievances in consultation with the complainant and subproject owner; (iv) report to the aggrieved parties about the decision/solution; and (v) forward the unresolved cases to higher authorities for resolution, if needed. If the complaint remains unresolved within 8 weeks, the subborrower will inform the ESMU of the RDB for further action following the appropriate regulations. Figure 5.1 explains the draft flow chart for this mechanism.
Figure 5.1: Grievance Redress Mechanism Flow Diagram
C. Updated Organization and Responsibilities.

131. The E&S Manager of the ESMU has the overall responsibility for environmental and social issues of the RDB operation. He/she will ensure compliance with this ESMS by subprojects that are financed by the bank. Additionally, he/she would ensure to guide the RDB staff on environmental and social screening of subprojects and engage in implementing the ESMS. He/she would coordinate with the bank’s internal operational and administration mechanism to secure resources for E&S management, and report to the CEO of the RDB. Both the CEO and the ESMU manager will sign the annual E&S performance report to DFI for DFI-funded projects.

132. ESMS Safeguard Officer is responsible for assisting in activities to develop the ESMS and communicate to the ESMU Manager the environmental and social issues and concerns that may result from subprojects. ESMS Coordinator’s responsibility would be to develop and update ESMS as well as its procedures and documents. This person also evaluates the environmental and social risks at the portfolio level and provides assistance to Credit Officers/Relationship Managers and Credit/Investment Analysts in evaluating and monitoring the environmental and social performance of subprojects. Credit Officers/Regional Managers will be involved in procedures of the ESMS at the transaction level. They will discuss and negotiate possible environmental and social mitigation measures with the subproject owner. Executive Credit Committee of RDB is responsible for deciding if E&S risks are acceptable to the financial institution’s overall exposure to risk before proceeding with a transaction. Legal Department ensures that the financial institution’s environmental and social requirements are included in legal agreements for each loan agreement. ESMU will seek advice from the Legal Department if the subproject owner is non-compliant with environmental and social clauses.

D. Capacity Building Measures

133. Efforts to ensure that ESS staff have the required skills to facilitate the effective implementation of ESMS across the bank group’s portfolio and considering emerging safeguards issues. The senior management of RDB ensure adequate resources and budget is allocated for the effective implementation of this ESMS policy and procedures.

134. RDB has adequate capacities within the bank to carry out the functions of lending appraisal and credit risk assessments. Regional Managers, Branch Managers and Credit officers play a crucial role in appraising credit requests. They directly interface with prospective loan applicants and appraise the loan against risks. With the introduction of ESMS however, these officers would have an additional task to carry out in the routine lending appraisal procedures. These officers will be involved in environmental screening stage itself. This requires substantial human resources development and continuous institutional capacity improvements.

135. To ensure effectiveness of the ESMS implementation across the bank, adequate resources will be allocated to prepare and distribute ESMS documentation and materials to train staff on ESMS procedures, and to account for staff time to perform their ESMS responsibilities in their day-to-day duties.

136. The key components of the ESMS of the bank include E&S risk categorization, procedure involved in due diligence and E&S compliance monitoring and reporting. The first activity of
the ESMS would require that the Bank Credit Officers categories the subprojects/ activities for which loans are requested by clients in terms of their E&S risk levels. The Bank intends to develop an Environmental & Social Index (EASI) with the assistance of experts to help the Regional and Branch Managers and credit officers to categorize the loans based on risk levels.

137. Bank Officers involved in credit administration should have a better understanding of the domestic environmental and social compliance requirements which define specific requirements for an Environmental Impact Assessments (EIAs) and Environmental Protection Licenses (EPLs) and regulatory approvals. Apart from the above bank staff will need to understand DFI environmental policy requirement as well.

138. Once the subprojects/ activities are categorized (Under A, B and C) by the ESMU, the credit officers need to have a good understanding of the procedures to be followed thereafter. With regards to E&S due diligence of medium risk subprojects, the type of information to be sought at the time of due diligence, composition of the team of experts (depending on the nature of the activity) for which due diligence is required, preparation of the required reports and to make specific recommendations in areas that should form the loan agreements, will need additional capacity development interventions within the ESMU of the bank.

139. The capacity development of human resources for the effective implementation of ESMS is to be coordinated by ESMU and Training Department of the bank. The Human Resource (HR) Department will evaluate whether there should be additional staff or whether the existing staff can manage the ESMU in view of the heavy work load of the bank officer and also the training requirements. Currently the ESMU and the RDB staff's technical capacity to screen and evaluate the social and environmental risk of a subproject is poor. A qualified consultant is retained under the ADB TA to capacitate the staff at RDB.

140. The Following Bank Staff would be provided with relevant training to facilitate the implementation of ESMS

(i) Corporate Management
(ii) Manager of ESMU
(iii) Safeguard officer
(iv) Project officers
(v) Staff at Refinance Unit
(vi) Regional Managers
(vii) Branch Managers
(viii) Loan/Credit Officers
(ix) Legal Counsel

141. The responsibilities of each of these officers in the implementation of ESMS are given in the previous section. Training will be provided in the following areas.

(i) Overview of ESMS and its purpose
(ii) Overview of investment portfolio by industry sector including environmental and social aspects of specific industry sectors
(iii) ESMS procedures and specific staff expectations during implementation
(iv) Review/ Updates/revisions to ESMS, as necessary
(v) Environmental Screening procedures
(vi) Relevant national and international regulations
142. Under this, a technically qualified person with postgraduate qualification and at least 10 years of professional experience in dealing with environment and social safeguards issues in the DFI was recruited. Currently environmental safeguard officer has been recruited to the bank with an Environmental Science Degree. The consultant will train the ESMU staff and bank regional management on screening and due diligence. Continuous training programs will have to be carried out for the identified focal points within the bank portfolio at the provincial and regional level in carrying out satisfactory due diligence and further strengthen safeguards as outlined in the ESMS.

143. The ESMU staff has already attend ADB-sponsored or approved environmental and social safeguard training. These trained officers will engage in training the regional staff at RDB. The Manager of the ESMU would work with the management of the bank to ensure that adequate resources have been committed to allow for the effective implementation of this ESMS policy and procedures. Once the officers at the ESMU are trained they will be technically qualified and will be able to carry out the screening and due diligence or able to review the work carried out by consultant(s). The bank would also maintain a pool of qualified environmental and social consultants who can be called to assist in the review process especially once the bank is in a position to approve category B project as per ADB SPS. Annual budget of the ESMU will be allocated for training to ensure that there would be continuous learning and development of its staff. The Bank will ensure once the ESMS is adopted and implemented that all its staff are inducted with the E & S risk management procedures and ensure that projects undergo proper procedures in E & S due diligence so that the bank is able to make informed decisions on a borrower, to avoid and mitigate any E & S risk on all its loan facilities.

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Environmental and Social Management System

REGIONAL DEVELOPMENT BANK

SRILANKA

Annexures

June 2020

Pradeshiya Sanwardhana Bank
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APPENDIX 1

Appendix 1.1

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 labor\(^1\) or child labor;\(^2\)

(ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,\(^3\) pesticides, and herbicides,\(^4\) (b) ozone-depleting substances,\(^5\) (c) polychlorinated biphenyls\(^6\) and other hazardous chemicals,\(^7\) (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,\(^8\) and (e) transboundary trade in waste or waste products;\(^9\)

(iii) production of or trade in weapons and munitions, including paramilitary materials;

(iv) production of or trade in alcoholic beverages, excluding beer and wine;\(^10\)

(v) production of or trade in tobacco;\(^10\)

(vi) gambling, casinos, and equivalent enterprises;\(^10\)

(vii) production of or trade in radioactive materials,\(^11\) including nuclear reactors and components thereof;

(viii) production of, trade in, or use of unbonded asbestos fibers;\(^12\)

(ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and

(x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

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

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

\(^3\) A list of pharmaceutical products subject to phaseouts or bans is available at http://www.who.int.

\(^4\) A list of pesticides and herbicides subject to phaseouts or bans is available at http://www.pic.int.

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

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

\(^7\) A list of hazardous chemicals is available at http://www.pic.int.

\(^8\) A list is available at http://www.cites.org.

\(^9\) As defined by the Basel Convention; see http://www.basel.int.

\(^10\) This does not apply to 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.

\(^11\) This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
Appendix 1. 2

PROHIBITED OR DISCOURAGED LIST OF ACTIVITIES OF RDB

1. Production of or trade in weapons and explosive materials.
2. Illegal production of or trade in alcoholic beverages.
3. Anti-Social activities.
4. Legally forbidden other activities.
Appendix 1. 3

REGIONAL DEVELOPMENT BANK ENVIRONMENTAL AND SOCIAL POLICY

The environmental and social management policy of the Regional Development Bank (RDB) of Sri Lanka was approved by the Board of Directors on 14th November 2019 and states that:

The RDB of Sri Lanka is committed to securing and enhancing the financial well-being of people and businesses. RDB’s objective is to ensure environmental sustainability and social acceptability while supporting economic growth and development in marginalized communities.

RDB is committed to assess, minimize, mitigate, monitor and manage environmental and social impacts of the projects it finances by implementing the following practices:

- Consider environmental and social risks throughout loan origination, credit approval and annual review processes.
- Ensuring projects financed by RDB comply with relevant environmental, social and labour legislations, including international environmental and social agreements, treaties and conventions to which Sri Lanka is a signatory of;
- Screen out projects which are included in the “Exclusion List;”
- Assess clients’ ability to manage their own environmental impacts and risks and engage with clients to assist them in managing and mitigating their project’s environmental and social impacts and risks.
- Integrate environmental considerations into investment products and services to help its clients meet their financial goals. (i.e. introduce green/climate finance products and services for projects financed by the bank; monitoring and reducing energy use and greenhouse gas emissions and thereby reducing the carbon footprint in subprojects financed by the bank; investing in cost-effective, energy and process efficient technologies; monitoring and reducing water usage; monitoring and minimizing waste through recycling and more efficient use of resources)
- Follow best practices in environmental and social management;
- Establish a functional grievance reporting mechanism to facilitate any possible complaints from the community who may be affected by projects financed by the bank.
- RDB will engage with its clients, the community and other key stakeholders to promote effective management of environmental and social issues.

RDB will carry these out by:

- Building the capacity of RDB staff to understand, assess and manage environmental and social risks and opportunities by establishing the Environmental Social Management System;
- Identifying targets for the Bank’s environmental and social safeguard objectives, and report its performance against its targets.

RDB will engage in meaningful and sustainable corporate social responsibility (CSR) initiatives that contribute to human wellbeing and development.
APPENDIX 2

SRI LANKA’S DOMESTIC EIA REQUIREMENTS

Appendix 2.1

NATIONAL EIA PROCEDURE OF SRI LANKA

These are the Prescribed Projects set out in the Gazette Extra Ordinary No 772/22 of 24th June 1993, No: 1104/22 dated November 1999, and no 1108/1 dated 29th November 1999

Projects and undertakings if located wholly or partly outside the coastal zone as defined by Coast Conservation Act No. 57 of 1981

1. All river basin development and irrigation projects excluding minor irrigation works (as defined by Irrigation Ordinance chapter 453)

2. Reclamation of Land, wetland area exceeding 4 hectares
   Housing and Building integrated multi development activities consisting of housing, industry, commercial infrastructure covering a land area exceeding ten Hectares

3. Extraction of timber covering land area exceeding 5 hectares

4. Conversion of forests covering an area exceeding 1 hectare into non-forest uses.

5. Clearing of land areas exceeding 50 hectares

6. Mining and Mineral Extraction
   Inland deep mining and mineral extraction involving a depth exceeding 25 meters
   Inland surface mining of cumulative areas exceeding 10 hectares
   All off shore mining and mineral extractions
   Mechanized mining and quarrying operations of aggregate, marble, limestone, silica, quartz, and decorative stone within 1 kilometer of any residential or commercial areas

7. Transportation Systems
   Construction of national and provincial highways involving a length exceeding 10 kilometers
   Construction of railway lines
   Construction of airports
   Construction of airstrips
   Expansion of airports or airstrips that increase capacity by 50 percent or more

8. Port and Harbour Development
   Construction of Ports
   Construction of Harbours
   Port expansion involving an annual increase of 50% or more in handling capacity per annum

9. Power generation and transmission
   Construction of hydroelectric power stations exceeding 50 Megawatts
   Construction of thermal power plants having generation capacity exceeding 25 Megawatts at a single location or capacity addition exceeding 25 Megawatts to existing plants
   Construction of nuclear power plants
   All renewable energy based electricity generating stations exceeding 50 Megawatts
10. Transmission lines
   Installation of overhead transmission lines of length exceeding 10 kilometers and voltage above 50 Kilovolts

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

12. Resettlement
   Involuntary resettlement exceeding 100 families other than resettlement effected under emergency situations

13. Water supply
   All ground water extraction projects of capacity exceeding 1/2 million cubic meters per day
   Construction of water treatment plants of capacity exceeding 1/2 million cubic meters

14. Pipelines
   Laying of gas and liquid (excluding water) transfer pipelines of length exceeding 1 kilometer

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

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

17. All tunneling projects

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

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

20. Iron and Steel Industries
   Manufacture of iron and steel products of production capacity exceeding 100 tons per day using iron ore as raw material
   Manufacture of iron and steel products of production capacity exceeding 100 tons per day using scrap iron as raw material

21. Non-Ferrous Basic Metal Industries
   Smelting of aluminium or copper or lead of production capacity exceeding 25 tons per day

22. Basic Industrial Chemicals
   Formulation of toxic chemicals or production capacity exceeding 50 tons per day
   Manufacture of toxic chemicals of production capacity exceeding 25 tons per day

23. Pesticides and Fertilizers
   Formulation of pesticides of combined production capacity exceeding 50 tons per day
Manufacture of pesticides of combined production capacity exceeding 25 tons per day

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

25. Tyre and Tube Industries
   Manufacture of tyre and tubes of combined production capacity exceeding 100 tons per day from natural or synthetic rubber

26. Sugar factories
   Manufacture of refined sugar of combined production capacity exceeding 50 tons per day

27. Cement and Lime
   Manufacture of Cement through production of Clinker
   Manufacture of lime employing kiln capacity exceeding 50 tons per day

28. Paper and Pulp
   Manufacture of paper or pulp of combined production capacity exceeding 50 tons per day

29. Spinning, Waving and Finishing of Textiles
   Integrated cotton or synthetic textile mills employing spinning, weaving, dyeing and printing operations together, of combined production capacity exceeding 50 tons per day

30. Tanneries and Leather Finishing
   Chrome tanneries of combined production capacity exceeding 25 tons per day
   Vegetable (bark) of combined production capacity exceeding 50 tons per day

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

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

32. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or party within the areas specified in part III of the Schedule
   Construction of all commercial buildings as defined by the Urban Development Authority Law, No. 41 of 1978 and the construction of dwelling housing units, irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or partly within the areas specified in Part III of this Schedule.

The following industries if located wholly or partly within the areas specified in part III of the Schedule

33. Iron and Steel
34. Non-Ferrous Basic Metal
35. Basic Industrial Chemicals
36. Pesticides and Fertilizer
37. Synthetic Resins, Plastic materials and Man-made Fibres
38. Other Chemical Products
39. Petroleum and Petro-chemical products
40. Tyres and Tubes
41. Manufacturing and Refining of Sugar
42. Alcoholic Spirits
43. Malt Liquors and Malt
44. Cement, Clinker and Lime
45. Non-metallic Mineral Products
46. Paper, Pulp and Paperboard
47. Spinning, Weaving and Finishing of Textile
48. Tanneries and Leather Finishing
49. Shipbuilding and Repairs
50. Railroad Equipment
51. Motor Vehicles
52. Air Craft

The Environmentally Sensitive areas defined in the Gazette are

1. Within 100 m from the boundaries of or within any area declared under the National Heritage Wilderness Act No. 3 of 1988; the Forest Ordinance (Chapter 451); whether or not such areas are wholly or partly within the Coastal Zone as defined in the Coast Conservation Act, No. 57 of 1981.

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

Within 100 meters from the boundaries of, or within, any area declared as a Sanctuary under the Fauna and Flora Protection Ordinance (Chapter 469).

Within 100 meters form the high flood level contour of, or within, a public lake as defined in the Crown Lands Ordinance (Chapter 454) including those declared under section 71 of the said Ordinance.
Appendix 2.2

EPL REQUIREMENTS

The Prescribed Projects for which an Environmental Protection License is required by the Gazette Extra Ordinary No 1533/16 of 25th January 2008

THE PRESCRIBED ACTIVITIES FOR WHICH A LICENSE IS REQUIRED

PART  A

1. Chemicals manufacturing or formulating or repacking industries.

2. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity of 1,000 kilograms per day or more.

3. Bulk petroleum liquid or liquefied petroleum gas storage or filling facilities having a total capacity of 150 or more metric tons excluding vehicle fuel filling stations.

4. Industries involved in the use of fibreglass as a raw material where 10 or more workers are employed.

5. Synthetic rubber, natural rubber manufacturing or processing or rubber based industries excluding industries which manufacture less than 100 kilograms of ribbed smoke rubber sheets per day.

6. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity one or more metric ton per batch.

7. Industries involved in manufacturing extracting or formulating Ayurvedic, Indigenous medicinal products where 25 or more workers are employed.

8. Chemical fertilizer manufacturing, formulating, processing or repacking Industries.

9. Pesticides, insecticides, fungicides and herbicides manufacturing, formulating or repacking industries.

10. Oil (mineral oil or petroleum) refineries.

11. Dye and dye intermediate manufacturing or formulating industries.

12. Paints (emulsion or enamel), inks, pigments, varnish, polish manufacturing or formulating industries.

13. Petrochemical (basic or intermediates) manufacturing or formulating industries.

14. Industrial gas manufacturing, processing or refilling industries.

15. Asphalt processing plants.

16. Industries involved in the manufacture of polymers or polymer based products (i.e. polyethylene, polyvinyl chloride (PVC), polyurethane, polypropylene, polyester, nylon, polystyrene, resins, fibreglass or other man made fibres etc.) or polymer or polymer based products, recycling industries.

17. All types of tyres, tubes manufacturing or tyre retreading industries.
18. Industries involved in manufacturing or reconditioning of batteries.
19. Any industry involved in the use of asbestos fibres as a raw material.
20. Industries involved in manufacturing, extracting or formulating pharmaceuticals or cosmetic products including intermediates.
22. Match sticks manufacturing industries and explosives manufacturing or formulating industries.
23. Batik industries where 10 or more workers are employed.
24. Textile processing (i.e. bleaching, dyeing, printing) industries or garment washing industries or textile sand blasting industries or commercial laundries where 10 or more workers are employed.
25. Tanneries.
26. Lather finishing industries having effluent generating operations.
27. Jute processing industries.
28. Industries involved in bleaching or dyeing of natural fibre or natural fibre based industries where 25 or more workers are employed.
29. Power looms having 25 or more machines or power looms with sizing activities.
30. Sugar manufacturing industries or sugar refineries.
31. Fermentation industries (Distilleries, Breweries) or alcoholic beverages bottling plants or bottling plants having bottle washing operations.
32. Food manufacturing and processing industries including bakery products and confectioneries where 25 or more workers are employed.
33. Abattoirs.
34. Coconut oil or cinnamon oil extraction industries where 25 or more workers are employed.
35. Plants or animal oil/fats extraction industries having production capacity of 10 litres or more per day excluding coconut oil and cinnamon oil extraction industries.
36. Instant tea or coffee processing industries
37. Non-alcoholic beverages manufacturing industries where 25 or more workers are employed.
38. Desiccated coconut mills or coconut processing industries where 10 or more workers are employed.
39. Rice mills having wet process and having a production capacity of 5,000 kilograms or more per day.
40. All hatcheries or poultry farms having 2,500 or more birds or piggery, cattle, goats farms having animals 50 or more or having rating* for mixed farming 2,500 or more.
*Rating for Mixed Farming = No. of Birds + 50 x (No. of Pigs + No. of Cattle + No. of Goats)

41. Animal feed manufacturing industries having a capacity of 25 or more metric tons per day.

42. Cigarettes or other tobacco products manufacturing industries where 50 or more workers are employed.

43. Industries involved in surface treatment of metal or plastic including electroplating, galvanizing and powder coating industries.

44. Iron and steel mills.

45. Foundries with any type of furnaces.

46. Non-ferrous metal processing industries including secondary process, smelting and recovery of metals.

47. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where 24 or more workers are employed. (Including lathe workshops, welding shops, spray painting industries).

48. Cement industries (clinker grinding, manufacturing or repacking).

49. Concrete batching plants having a production capacity of 50 or more cubic meters per day.

50. Glass or glass based product manufacturing industries.

51. Lime kilns having a production capacity of 20 or more metric tons per day.

52. Ceramic industries where more than 25 or more workers are employed.

53. Mechanized mining activities with multi bore hole blasting or single bore hole blasting activities with production capacity having 600 or more cubic meters per month.

54. Crushing or processing of non-metallic minerals (i.e. limestone, dolomite,apatite.rock phosphate, sand stone, feldspar, quartz, ilmenite, rutile, zircon, mica, graphite, kaolin, etc) excluding lime shell and granite crushing activities.

55. Granite boulders making or processing industries (extracting, blasting, slicing, polishing).

56. Granite crushing (Metal crushing) industries having a total production capacity of 25 or more cubic meters per day.

57. Common wastewater (industrial or sewage) treatment plants.

58. Incinerators having a feeding capacity of 5 or more metric tons per day.

59. Water treatment plants having a treatment capacity of 10,000 or more cubic meters per day.

60. Municipal solid waste and other solid waste composting plants having a capacity of 10 or more metric tons per day.

61. Solid waste recovery/recycling or processing plants having a capacity of 10 or more metric tons per day.
62. Solid waste disposal facility having a disposal capacity of 10 or more metric tons per day.

63. All toxic and hazardous waste treatment facility or disposal facilities or recycling/recovering or storage facilities.

64. Industries involved in chemical treatment and preservation of wood excluding Boron treatment.

65. Saw mills having a milling capacity of 50 or more cubic meters per day or wood based industries where 25 or more workers are employed.

66. Hotels, guest houses, rest houses having 20 or more rooms.

67. Hostels and similar dwelling places where occupancy level is exceeding 200 or more.

68. Health care service centres generating infectious wastes, including medical laboratories and research centres.

69. Automobile or bicycle manufacturing or assembling industries.

70. Vehicles service stations or container yards having vehicle service activities excluding three wheeler and motor cycles services and interior cleaning.

71. Railway workshops or all bus depots having vehicle servicing activities.

72. All vehicle emission testing centres.

73. Electrical power generating utilities excluding standby generators and hydro or solar or wind power generation.

74. Printing presses with lead smelting o newspaper printing or printing process which generates wastewater or colour photographs processing centres.

75. Paper and Pulp Industries or corrugated cartons manufacturing industries.

76. Any industry where 200 or more workers per shift are employed.

77. Industrial Estates approved under the part IVC of the National environmental Act including Katunayake and Biyagama Export processing Zones.

78. Zoological gardens.

79. Transmission towers providing facilities for telecommunication and broadcasting.

80. Any industry not included above which discharges 10 or more cubic meters of wastewater per day or using toxic chemicals in its process.

**PART B**

1. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity less than 1,000 kilograms per day.

2. Bulk petroleum liquid storage facilities excluding filling stations or liquefied petroleum gas (LP Gas) storage or filling facilities having a total capacity less than 150 metric tons.

3. Industries involved in the use of fibre glass as a raw material where less than 10 workers are employed.
4. Ribbed smoke rubber sheet manufacturing industries having a production capacity of more than 50 kilograms and less than 100 kilograms per day.

5. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity less than one metric ton per batch.

6. Industries involved in manufacturing, extracting or formulating Ayurvedic, indigenous medicinal products where more than 10 workers and less than 25 workers are employed.

7. Batik industries where less than 10 workers are employed.

8. Commercial laundries where less than 10 workers are employed.

9. Leather finishing industries having dry process operations.

10. Natural fibre based industries where less than 25 workers are employed excluding industries involved in bleaching or dyeing of natural fibre.

11. Power looms having less than 25 machines.

12. Hand Looms or knitting or embroidery industry having more than 10 looms.

13. Garment industries where 25 or more workers and less than 200 workers per shift are employed.

14. Sugar cane based industries excluding sugar factories of sugar refineries.

15. Food manufacturing and processing industries including bakery products and confectioneries where 5 or more workers and less than 25 workers are employed.

16. Cinnamon oil extracting industry where less than 25 workers are employed.

17. Rice mills having wet process with a production capacity of less than 5,000 kilograms per day.

18. Grinding mills having production capacity of more than 1,000 kilograms per month.

19. Poultry farms have 250 or more and less than 2,500 birds or piggery, cattle, goats farms having animals 5 or more and less than 50 or having rating * for mixed farming 250 and less than 2,500.

*Rating for Mixed Farming = No. of Birds + 50 x (No. of Pigs + No. of Cattle + No. Goats)

20. Animals feed manufacturing industries, having a capacity of less than 25 metric tons per day.

21. All ice manufacturing industries.

22. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where less than 25 workers are employed (including lathe workshop, welding shops, spray painting industries).

23. Concrete batching plants having a capacity less than 50 cubic meters per day.

24. Single borehole blasting with industrial mining activities using explosives, having a production capacity of less than 600 cubic meters per month.
25. Granite crushing (Metal crushing) industries having a total production capacity of less than 25 cubic meters per day excluding manual crushing operations using hand tools.

26. Municipal solid waste and other solid waste composting plants (excluding household composting) having a capacity of less than 10 metric tons per day.

27. Solid waste recovery/recycling or processing plants having a capacity of less than 10 metric tons per day.

28. Solid waste disposal facilities a disposal capacity of less than 10 metric tons per day.

29. Hostels and similar dwelling places where occupancy level or 25 or more boarders and less than 200 borders.

30. Vehicle repairing and maintaining garages including spray painting or mobile air-conditioning activities.

31. Recycling or recovering centres of refrigerants form air-conditioners or refrigerators.

32. Three wheeler or motor cycle servicing activities or vehicle interior cleaning activities.

33. Any industry not included above which discharges 3 or more and less than 10 cubic meters of industrial processing wastewater per day.

PART C

1. All vehicle filling stations (liquid petroleum and liquefied petroleum gas).

2. Manufacturing of candles where 10 or more workers are employed.

3. Coconut oil extraction industries where 10 or more workers and less than 25 workers are employed.

4. Non-alcoholic beverages manufacturing industries where 10 or more workers and less than 25 workers are employed.

5. Rice mills having dry process operations.

6. Grinding mills having production capacity of less than 1,000 kilograms per month.

7. Tobacco barns.

8. Cinnamon fumigating industries with sulphur fumigation having capacity of 500 or more kilograms per batch.

9. Edible salt packing and processing industries.

10. Tea factories excluding instant tea processing.

11. Concrete pre-cast industries.


13. Lime kilns having a production capacity of less than 20 metric tons per day.

14. Plaster of Paris industries where less than 25 workers are employed.

15. Lime shell crushing industries.

16. Tile and brick kilns.
17. Single borehole blasting with artisanry mining activities using explosives, having capacity of less than 600 cubic meters per month.

18. Saw mills having a milling capacity of less than 50 cubic meters per day or industries involved in Boron treatment of wood or timber seasoning.

19. Carpentry workshops which use multipurpose carpentry machine or wood based industries where more than 5 workers and less than 25 workers are employed.

20. Residential hotels, guest houses, rest houses with 05 or more and less than 20 rooms.

21. Vehicle repairing or maintaining garages excluding spray-painting or mobile air-conditioning activities.

22. Repairing, maintaining or installation centres of refrigerators and air-conditioners.

23. Container yards excluding where vehicle servicing activities are carried out.

24. All electrical and electronic goods repairing centre where more than 10 workers are employed.

25. Printing presses and later press machines excluding lead smelting.
Appendix 2. 3

RELEVANT DOMESTIC ENVIRONMENTAL LAWS

1. The Constitution of Sri Lanka and its 13th Amendment

The 13th Amendment introduced a new level of institution for environmental protection and management. By the 13th amendment to the constitution of the GOSL, a law came into effect in 1987 by which, the authority for waste management was transferred from the central government to provincial administrations. According to such provincial legislative and executive power, the North Western Provincial Council adopted the North Western Provincial Environmental Authority to control, prevent and monitor all environmental related activities in the North Western Province.

The 42nd Law of 1987 stipulates provincial responsibility for waste management. The NEA was promulgated as the 47th law in 1980 and amended as the 56th law in 1988. Clause 12 of the NEA allows the CEA to give necessary instructions and guidelines to provincial authorities.

The responsibility for waste control and management in the provinces was included in the ordinance pursuant to the 15th law (1987). It empowers provincial authorities to enact regulations regarding industrial waste control and take punitive measures against violators. Relevant laws and regulations are now fully established both by the central and provincial authorities.

Under the provisions of the 13th Amendment, ‘protection of the environment’ comes under the concurrent list of powers which fall under the purview of both the provincial councils and the government. Thus the Provincial councils too have a mandate to protect and manage environment of Sri Lanka.


The NEA provides conservation and development guidelines for natural resources management including water, forest, flora and fauna in Sri Lanka. The 1988 amendment appointed the Central Environmental Authority (CEA) as the enforcement and implementing agency of the Act. CEA has special powers to assess and monitor critical environmental conservation programs and to advise the government on environmental protection, conservation, management and development issues.

Types of projects that need mandatory environmental clearance (“prescribed projects”) were made public after the amendments to NEA was approved in 1988. The Act 1988 states that all prescribed projects undertaken by any government department, corporation, statutory board, local authority, company, firm or an individual will be required to obtain approval under this Act before their implementation. The approval will have to be obtained from the appropriate project approving agencies (PAAs) who are concerned or connected with such prescribed projects. At present, there are 31 such PAAs to deal with review and approval of environmental plans.

Subprojects of SSDP could come under the purview of the following sector level Acts according to the specific circumstances. However, screening, scoping, formulation of initial environmental
examination (IEE), environmental management plan (EMP) and procedures for IEE and EMP disclosure and public comments will be governed by NEA of 1980 and its subsequent amendments of 1988 and 2000, and by environmental regulations.

- The Environmental Impact Assessment (EIA) procedure for major development projects. Regulations pertaining to this process have been published in 1993 and are available with the CEA.
- The Environmental Protection License (EPL) procedure for the control of pollution. Regulations pertaining to this process have been published in 1990 and are available with the CEA.

Sri Lankan Government recognizes EIA as an effective tool for the purpose of integrating environmental considerations with development planning. The application of this technique is considered as a means of ensuring that the likely effects of new development projects on the environment are fully understood and taken into account before development is allowed to proceed. The importance of this management tool to foresee potential environmental impacts and problems caused by proposed projects and its use as a means to make projects more suitable to the environment are highly appreciated.

The legal provision for EIA in Sri Lanka was first included in the Coast Conservation Act No. 57 of 1981 (see below). These provisions were restricted to the Coastal Zone as defined by this Act. The broader legal framework for the EIA process in Sri Lanka was laid down by the amendments made to NEA in 1988 through National Environmental (Amendment) Act No. 56 of 1988. The provision relating to EIA is contained in Part IV C of the National Environmental Act. The procedure stipulated in the Act for the approval of projects provides for the submission of two types of reports Initial Environmental Examination (IEE) report and Environmental Impact Assessment (EIA) report. Such reports are required in respect of “prescribed projects” included in a Schedule in an Order published by the Minister of Environment in terms of section 23 Z of the act in the Gazette Extra Ordinary No. 772/22 dated 24th June 1993. This amendment makes EIA mandatory for whole of Sri Lanka and transformed Central Environment Authority (CEA) into enforcement and implementing agency but not in North Western Province.

Further, any developmental activity of any description whatsoever proposed to be established within one mile of the boundary of any National Reserve, should receive the prior written approval of the Director of Wildlife Conservation. The Fauna and Flora (Protection) Ordinance mandates that the project proponent should furnish an IEE of EIA report in terms of the National Environmental Act for this purpose. In order for a project to be approved the project proponent should submit either an Initial Environmental Examination (IEE) report or an Environmental Impact Assessment (EIA) report. If it’s an EIA report that has been submitted there is mandatory period of 30 days during which the public can inspect the document and comment on the report. Further, a public hearing may be held to provide an opportunity to any member of the public to voice their concerns. A decision whether to approve the project will be made only after public consultation is done and necessary major issues are resolved.

The EIA process is implemented through designated Project Approving Agencies (PAAs). PAA’s are those organizations that are directly connected with such a prescribed project. At present, 23 state agencies have been recognized by the Minister as PAAs which include the DWC, FD and CEA. A given organization cannot act both as the PAA as well as the project proponent. In such cases the CEA will designate an appropriate PAA. Similarly when there are more than one PAA
the CEA must determine the appropriate PAA. In the event of doubt or difficulty in identifying the appropriate PAA, CEA itself will function as the PAA.

Environmental Standards
According to the section 23A (2) of the National Environmental Act, no person shall carry on any prescribed activity except-
(a) under the authority of a license issued by the Authority; and
(b) in accordance with such standards and other criteria as may be prescribed under this Act.

In this regard necessary standards are specified in the Section 23 C of the NEA and the relevant regulations. The Environmental standards are already gazette in respect of:
- Water Quality
- Atmospheric Emissions; (Ambient air quality standards and stationery sources
- Noise

### 3. Strategic Environment Assessments

Although project level EIA is an effective tool in addressing environmental impacts at project level, it often fails to take into account cumulative impacts of several projects. The Strategic Environment Assessment (SEA) is a more effective tool to analyze cumulative impacts on the environment of a specific policy or program of works. At present SEA is still not a mandatory requirement in Sri Lanka. The Cabinet of Ministers have approved the implementation of SEA for policies, programs and plans in Sri Lanka. Therefore, all Ministries, Departments and Authorities who are responsible for implementing a new policy, plan or program should carry out a SEA for the new policy, plan or program prior to its implementation and submit a copy of the SEA report to the Central Environmental Authority for review and comments.

### 4. Coast Conservation Act No. 57 of 1981

The Coast Conservation Act provides for the preparation of coastal zone management plans, regulates and controls development activities within the coastal zone, formulates and executes schemes of work for coast conservation within the coastal zones of the country. This act becomes relevant to projects located wholly or partly within the coastal zone (the area lying within a limit of three hundred meters landwards of the Mean High Water line and a limit of two kilometers seawards of the Mean Low Water line) must undergo the approval process that is laid down by the CCA irrespective of its size. Therefore, any development work taking place within this zone falls under the jurisdiction of CCD. Section 6 of the Act created a Coast Conservation Advisory Council. It advises on all development activities proposed in the coastal zones, reviews coastal zone management plans, and environmental impact assessments of projects that fall within its purview. The current Coastal Zone Management Plan states that the Director of Coast Conservation Department will call for an environmental impact assessment (EIA) when such activities may have potential impacts on the coastal zone.

According to the CCA, Director of the CCD has the discretion to request for an EIA/IEE from the project proponent if the initial screening reveals significant impacts in the coastal areas by the project. The process is very much similar to the NEA except that the Director of the CCD reserves the right to request for an EIA/IEE and also to make the final decision.

Any person desiring to engage in a development activity within the Coastal Zone will be required
to obtain a permit issued by the Department prior to commencing the activity. Engaging in any development activity prior to obtaining a permit issued by the Director, and/or noncompliance with conditions stipulated in the permit are contravention. The CCA specifies penalties for contravention of the provisions of the Act. Penalties may include fines and imprisonment and/or confiscation of equipment and machinery and/or demolishing of unauthorized structures.

5. **The North Western Provincial Environmental Statute No. 12 of 1990**

National Provincial Environmental Act (PEA) of 1991 implemented by the North Western Provincial Council applies for areas coming under the North Western Province. Environmental Assessments are required for prescribed projects that have been gazetted in Gazette Extraordinary 1020/21 of 27th March, 1998. It specifies two lists of project types (a) where EIA/IEE is mandatory and (b) where the EA can be requested if the PAA decides so. The process is similar to that of the NEA and will be headed by one of the two listed PAAs; (a) Provincial Environmental Authority or (b) Provincial Ministry of Fisheries and Aquaculture.

There are two main regulatory provisions under the North Western Provincial Environmental Statute (NWPES) which is implemented by the Provincial Environmental Authority of North Western Province (PEA-NWP).

I. The Environmental Impact Assessment (EIA) procedure for major development projects regulations pertaining to this process have been published in Gazette notification No. 1020/21 dated 27th March, 1998, provides for the listed industries therein, to obtain the approval of the PEA after a proper Environmental Impact Assessment (EIA) process. The EIA process is implemented through designated Project Approving Agencies (PAAs). The screening, scoping, formulation of initial environmental examination (IEE), environmental management plan (EMP) and procedures for IEE and EMP disclosure and public comments will be governed by (NWPES) of 1990 and by environmental regulations.

II. The Environmental Protection License (EPL) procedure for the control of pollution. EPL has to be obtained from the North Western Provincial Environmental Authority Maligawa Kurunagala for the Prescribed activities situated in the Puttalam and Kurunegala Districts of the North Western Province and the EPL is issued according to a separate act only applicable to the North Western.

The Statute is divided into the following Parts: Establishment of the North Western Province Environmental Authority and an Environmental Council (I); Powers and Functions of the Provincial Authority (II); Staff of the Provincial Authority (III); Environmental Management (IV); Environmental Protection (V); Environmental Quality (VI); Approval of Projects (VII); General (VIII). The Authority shall: (a) recommend to the Minister on matters pertaining to soil and forest conservation, prevention of air, water and land pollution; (b) undertake investigations and surveys as to the causes, nature and prevention of pollution and to the compliance with the Statute and the rules made thereunder; (c) provide information and education to the public; (d) establish and maintain liaison with other national and international organizations; (e) prepare long-term and short-term plans for environmental protection and management; (f) prevent and prohibit the discharge of pollutants or untreated waste. The Provincial Authority may also prepare a land use scheme consistent with the following objects: 1) to provide a rational and efficient system for the acquisition, utilization and disposal of land; 2) to impose conditions in respect of uncultivated, abandoned or neglected lands; 3) to determine the crops that may be cultivated on a certain land, village or area. The Scheme may include: (a) a land inventory and classification system; (b) a determination of present land uses; (c) an identification of the areas having historic, cultural or aesthetic value; (d) a policy for influencing the location of new areas of resettlement and the methods for assuring appropriate control over the use of land in such areas.
Moreover, the Statute prohibits the discharge, emission or deposit of waste into the environment except under the authority of a license issued by the Provincial Authority and in accordance with the standards, criteria, conditions or rules prescribed under Part V of the Statute. Part VI concerns the restriction, regulation and control of pollution of the Province's inland waters.

6. **Antiquities (Amendment) Act No. 24 of 1998**

The Department of Archeological contains the powers to protect antiquities with Antiquities Ordinance and other Acts incidental to it. Under the law legal action will be taken to punish persons who violate provision of this Act.

Subproject sites located as areas of archeological importance will be required to obtain approval from the archeological department. In the event a subproject is located close to an archeological site, it is recommended to inform the department of the proposed development so that the department can make a determination whether an archeological impact assessment is necessary.

7. **Board of Investment Act No 4 of 1978**

Environmental recommendation letter could be obtained from any business registered under the Board of Investment of Sri Lanka (BOI), for activities registered under section 17 of the BOI Act No 4 of 1978. Industry /activity which is registered under section 17 of the Act of the Board of Investment of Sri Lanka (BOI), has to obtain EPL from the BOI situated at World Trade Centre, Colombo 01. Environment Management Department of the BOI is concerned on managing the environmental issues resulting from a PP that is registered with them. In this context, the Environment Department in BOI assist the investors by way of Permitting environmental approvals for projects.

   (i) Issuing Environmental Protection Licenses.
   (ii) Investigate public complaints and recommending suitable mitigatory measures.
   (iii) Implementing the functions related to Environmental Impact Assessment procedures under the EIA regulations in instances where the BOI acts as the Project Approving Agency.
   (iv) Making recommends on for chemical imports.
   (v) Provide guidelines for investors in industrial siting and pollution control including waste treatment & disposal.
   (vi) Conduct post compliance monitoring.
   (vii) Coordinate with other agencies, organizations and departments in activities related to Natural Resources Management and Environmental Pollution Control

The environmental approval procedure in respect of BOI projects are in accordance to the National Environmental Regulations made under the provisions of the National Environmental Act (NEA) of Sri Lanka. This procedure is executed by the Environment Management Department of the BOI in consultant with the Central Environmental Authority (CEA), which is the authorized body in Sri Lanka for the implements on of the National Environmental Act and its Regulations.

8. **Disaster Management Act, No. 13 of 2005**

Under the Act No. 13 of 2005 of the Disaster Management Act, there is a provision to establish National Council for Disaster Management (NCDM). Major objective of this act is to protect human life, property and the environment of Sri Lanka. Therefore, this act plays key role to
protect the environment. Major functions include NCDM, to formulate a National Policy and Program on the management of disasters which shall provide for the protection of life of the community and environment and the maintenance and development of disaster affected areas; the effective use of resources for preparedness prevention, response, relief, reconstruction and rehabilitation; the enhancement of public awareness and training to help people to protect themselves from disasters. Therefore, this act provides necessary guideline for the protection of human life, property and the environment of the country.


Under this Act, mining falls within the purview of the Geological Survey and Mines Bureau (GSMB). Mining of minerals including sand must be done with a license issued by the GSMB. Mining is not permitted within archaeological reserves or within specified distances from such monuments. New mining licenses are subject to the EIA process, if the type and extent of mining is listed under the EIA regulations. Additionally, GSMB has the power to stipulate conditions including cash deposits and insurance policy for the protection of environment. Regulations made by GSMB under the Act cover a variety of environmental stipulations, criteria and conditions for licensing and operating mines. This also covers the disposal of mine wastes. The Act also deals with the health, safety and welfare of miners. Mining rights on public and private land are subject to licensing by GSMB, and all minerals wherever situated belonging to the State. The right to mine public land parcels are subjected to the EA procedures.

10. **Fauna and Flora Protection Ordinance, Act No. 49 of 1983**

The Act provides for the protection, conservation, and preservation of the fauna and flora of Sri Lanka. Under the Ordinance, five categories of protected areas are established, namely, strict nature reserves, national parks, nature reserves, jungle corridors, and intermediate zones. The Section 9 (a) states that "no person or organization, whether private or state, shall within a distance of 1 mile of the boundary of any national reserve declared by an order issued under Section 2 of the Ordinance carry out any development activity of any description whatsoever, without obtaining the prior written approval of the Director". Each application for a development activity has to follow the procedures stipulated under NEA. An application falls within the meaning of Section 9(a) has to be supported by an Environmental Impact Assessment (EIA) or Initial Environment Examination (IEE) according to the significance of environmental impacts.

11. **Flood Protection Ordinance, Act No. 22 of 1955**

This ordinance provides necessary provisions to acquire land or buildings or part of any land or building for the purpose of flood protection.

12. **Forest Ordinance, No 17 of 1907 (and amendments)**

The Forest Ordinance of Sri Lanka is the law for conservation, protection and management of forest and forest resources. It regulates tree felling, transport of timber, and other forest related matters. The Forest Ordinance was amended by several Acts - Act 34 of 1951, No. 49 of 1954, Act 13 of 1966, Act 56 of 1979, Act 13 of 1982, and Act 84 of 1988. The Act 23 of 1995 replaced the old Ordinance. Under Section 4 of Act 23 of 1995, the Minister who is in charge of forests can declare any specified area of government land or the whole or any specified part of any reserve forest which has unique ecosystems, genetic resources or a habitat or rare and endemic species of flora, fauna, and microorganisms and of threatened species which need to be preserved in order to achieve an ecological balance in the area by preventing landslides and fire hazards. Under Section 5 of the Act, a Forest Officer has powers to stop any public or private watercourse which goes through a reserved forest. It shall be lawful for the District Secretary to determine the
amount of compensation to be paid in case that the water course adversely affects the interests or one or more individuals. Under Section 6 of the Act, the following activities are prohibited:

(i) Trespassing or permits cattle to trespass;
(ii) Damage by negligence in felling any tree, cutting or dragging any timber;
(iii) Willfully strips off the bark or leaves from, or girdles, lop, taps, burns or otherwise damages any trees; poisons water; mine stone, burns lime or charcoal, or collects any forest produce; and
(iv) Extracts coral or shells or digs or mines for gems or other minerals

13. Felling of Trees Act No. 9 of 1951, as amended through Act No. 30 of 1953

This Act seeks to prohibit and control felling of specified trees (mainly intended to stop the indiscriminate felling of specified trees) in the country. Forest Department maintains records on felled trees under sub projects and for replanting of trees in place of the trees cut.

14. Food Act No 26 of 1980

The Act controls and regulates the manufacture, imputation, sale and distribution of food. It was enacted to establish the food advisory committee and to repeal the food and drugs act of 1949. The act carried out the functions of prohibition manufacture, imputation, sale and distribution of food. It also enforces regulation on labeling packing and advertising. It enforces food warranty and licensing of manufacturing process and products. PHI play an important role food safety and he have the powers to enter a premise and sample food.

Sri Lankan food labelling regulations are gazetted under the this act and is revised periodically to meet the emerging health challenges and be updated according to international standards. The Act established a the national food control system and addresses non compliance issues relating to foot safety. It regulates food hygiene regulations for food handling in small food establishments and restaurants.

15. Irrigation Ordinance

Deals with environmental aspect of water and land uses in irrigation agriculture. It is enforced by the Irrigation department


The National Water Supply and Drainage Board (NWSDB) is the principle water supply and sanitation agency in Sri Lanka. It was established in January 1975 under the Law No. 2 of 1974. NWSDB develops, provides, operates and controls water supply and distributes water for public, domestic and industrial purpose.


The National Policy for Rural Water Supply and Sanitation, approved by the cabinet in 2001, has laid down a framework for water supply and sanitation services to the rural sector, which is defined as any Grama Niladhari Division within a Pradeshiya Sabha area except for those in former town council areas. It provides guidelines on the delivery of minimum water requirements to ensure health, and on levels of service in terms of quantity of water, haulage distance, adequacy of the source, equity, quality, flexibility for upgrade, and acceptable safe water supply systems.
The Policy prescribes ventilated, improved pit latrines as basic sanitation facilities and defines other acceptable options that include piped sewer with treatment, septic tanks with soakage pits, water-sealed latrines with disposable pits. For rural water supply and sanitation, the Policy defines the roles and responsibilities of the government, provincial councils, local authorities, community-based organizations (CBO), non-governmental organizations (NGOs), private sector, and international donors. It also sets the scope of regulations for which the provincial councils and local authorities can enact statutes and by-laws.

This Act was enacted to prevent and eradicate mosquito-borne diseases such as dengue. Under this Act, it shall be the duty of every owner or occupier of any premises to remove and destroy open tins, bottles, boxes, coconut shells, split coconuts, used tires, or any other article or receptacle found in such premises, and to maintain water wells in such premises to prevent breeding of mosquitoes. People are also bound to empty any artificial pond or pools at least once in a week. Shrubs, undergrowth and all other types of vegetation other than ornamental vegetation and food plants are to be removed.

This act declares a National Heritage Wilderness Areas while it protects and preserves such areas and its resources. Focuses on declaring and protecting wilderness areas.

20. State Land Ordinance, Act No. 13 of 1949
The State Land Ordinance provides guidelines for:
   (i) The protection of natural water springs, reservoirs, lakes, ponds, lagoons, creeks, canals, and aqueducts.
   (ii) The protection of the source, course and bed of public streams.
   (iii) The construction or protection of roads, paths, railways, and other means of internal communication systems.
   (iv) The prevention of soil erosion.
   (v) The preservation of water supply sources.

Section 75 of the Ordinance highlights riparian proprietors' rights and duties. The occupier of land on the banks of any public lake or public stream has the right to use water in that water body for domestic purpose, but cannot diverted water through a channel, drain or pipe or by any other mechanical device.

21. Soil Conservation Act, No. 25 of 1951
The Soil Conservation Act provides for the conservation of soil resources, prevention or mitigation of soil erosion, and for the protection of land against damage by floods and droughts. Under the Act, it is possible to declare any area defined as an erodible area and prohibit any physical construction. The following activities are also prohibited under Act:
   (i) Weeding of land or other agricultural practices that cause soil erosion;
   (ii) Use of land for agriculture purposes within water sources and banks of streams;
   (iii) Exploitation of forests and grassland resources and setting fire in restricted areas.

This act provides powers to establish Sri Lanka Land Reclamation and Development Corporation. It is responsible for the reclamation and development of low-lying marshy areas while recognizing the need to have adequate retention areas for flood waters. It has powers to undertake construction work and consultancy assignments in the field of engineering; and for matters connected with wetland management. The Corporation also undertakes reclamation and development of lands on a commercial basis to solve the problem of the lack of developed lands essential for development programs. As per the recent amendment to the act, by act no. 35 of 2006 the corporation will be powered to take legal action against unauthorized reclamation activities and pollution of inland water bodies as well.

23. Water Resources Board Act No. 29 of 1964, Amendment No.42 of 1999

Control, regulation and development (including conservation and utilization) of water resources; prevention of pollution of rivers, streams and other water resources; formulation of national policies relating to control and use of water resources.

24. Waste treatment related enactments by Municipal Councils, Urban Councils, and Pradeshiya Sabha

Legal provisions relating to collection and disposal of solid waste are established by Municipal Councils Ordinance (No. 16 of 1947), Urban Councils Ordinance (No. 61 of 1939) and Pradeshiya Sabhas Act. (No. 15 of 1987).

Local authorities are mainly responsible for collection and disposal of waste in their areas of administration. Therefore, basic legal provisions relating to collection and disposal of solid waste are established by Municipal Councils Ordinance (No. 16 of 1947), Urban Councils Ordinance (No. 61 of 1939) and Pradeshiya Sabhas Act. (No. 15 of 1987). By their statutes, each provincial authority is responsible for managing its own waste material without causing any inconvenience to respective residents.

Pradeshiya Sabha Act No. 15 of 1987 Section 12 (2) of the Pradeshiya Sabha Act authorizes the appointment of a committee at the divisional level to advice on environmental matters. Section 105 of the Act prohibits polluting water or any streams, while Section 106 refers to pollution caused by industry and related offences. The Pradeshiya Sabha grants permission for construction activities within its jurisdiction. Such construction will have to comply with environmental requirements stipulated with permits. It also ensures that public health issues are efficiently dealt with and solid waste collection and disposal are appropriately done under this Act.

25. The Urban Development Authority, Law, No 41 of 1978

The Urban Development Authority (UDA) promotes integrated planning and implementation of social, economic and physical development of areas which are declared as urban development areas under the UDA Act. UDA provides technical support to local councils who require assistance in developing plans. It has the authority to develop plans when local authorities fail to do. The UDA monitors urban areas, including 1 km. inland from the coasts in all areas of the coastal zone, and develops land use policies for designated development areas.

The Municipal Councils and Urban Councils share with Pradeshiya Sabhas powers regarding the approval of buildings plans, control of solid waste disposal, sewerage and other public utilities. Under these laws, new constructions and modifications to current buildings require approval of Municipal or Urban Council or Pradeshiya Sabha. Municipal and Urban councils follow planning and building guidelines of UDA.

The Environmental Policy, NEA and its amendments, and several other pieces of legislation relevant to SSDP outlined above show that environmental policies and the legal or regulatory framework is comprehensive and adequate to address and manage potential environmental impacts and risks associated with its refurbishment and construction activities.
Appendix 2.4

RELEVANT DOMESTIC SOCIAL LAWS
(Apart from what has been discussed in the ESMS)

1. The Factories Ordinance No. 45 of 1942:

This is an ordinance was enacted to make provision for the safety and welfare of workers in factories. The subsections of act prescribe about registration of factories and approval of factory buildings, health, safety, welfare, night work, minimum wage, fine from the workers, work conducted on Sundays, weekly holiday, total hours per week, records keeping, overtime hours, sanitary facilities, emergency alarm, exit doors of factories etc. According to the requirements of the factories ordinance, sec. 41(6) exit boards and yellow lines starting the routed of escape shall be provided in all the section and shall not be blocked to allow safe and rapid evacuation in emergency. In sec. 17(2), the facility shall provide a minimum of 400 cubic feet per person. Effective provision of lightning should be made for securing and maintaining in every part of a factory in which person are working or passing and also ensure the adequate ventilation of the room. The facility should be made for employees use facemasks wherever dust is being generated. And the factory shall provide suitable eye protection to workers who engage in activities, which pose a risk of injury to the eyes. Also the first aid boxes shall be well stocked in order to provide immediate medication during an emergency and factories must have one responsible person(s) trained in first aid per 150 workers and these persons shall be placed in charge of first aid box(s).

2. Employees’ Provident Fund Act, No.15 of 1958

The Employees’ Provident Fund was mandated under the Act No 15 of 1958 functioning with effect from 1st June 1958 had been subjected to amendments from time to time. It was established to provide a shelter to the retired employees in the government and the private sector for both pensioners and non-pensioners. It provides protection and retirement benefits to employees in private and government sectors. According to the sec 23 the fund can be released after such member, being a male attains the age of fifty-five years, or being a female at the age of fifty years, or if a female, ceases to be employed in consequence of marriage, or member ceases to be employed by reason of a permanent and total incapacity for work and is certified by a registered medical practitioner to be unfit for work any longer for that reason. Employees provident fund Act, sec. 47, as amended in act No. 26, sec. 10 of 1981 that 8% of the total earnings are to be deducted from employees and 12% contributed by the employer and remitted to central bank of Sri Lanka. As per sec. 47, amended in Act No.1 of 1985 includes wages for work carried out on the weekly holiday.

3. Maternity benefits ordinance Nos. 32 of 1939

For the payment of maternity benefits to women workers and for other matters incidental to the employment of such women before and after their confinement, the Maternity benefits ordinance Nos. 32 of 1939 was approved by the parliament of Sri Lanka. This ordinance was initiated by the Ministry of labour for the benefit of women workers. The ordinance comprises of 20 sections including the interpretations and 8 amendments. According to the law, no employer shall knowingly employ a woman worker at any time during the period of four weeks immediately following her confinement.

During the pregnancy of a female factory employee shall be allowed 12 weeks (84 days) leave with pay, if the confinement results in the issue of a live child and the employee has no child or
one child at the date of such confinement. In case she has two or more children or where confinement does not result in the issue of a live child, she shall be allowed 6 weeks (42 days) leave with pay. A factory employee who is nursing a child under one year of age is entitled to in any period of nine hours two nursing intervals at such times as she may require.

Each nursing intervals so provided shall be not less than thirty minutes where a crèche or other suitable place for nursing of a children is provided by the employer for the nursing of a children and not less than one hour where a crèche or other suitable place is not provided by the employer for the nursing of children.

4. **Estate Labour (Indian) Ordinance Nos. 13 of 1889**

It is an ordinance to amend and consolidate the law relating to Indian Labourers employed Sri Lanka estates. Ordinance provided, all the provisions, regulations, pains, penalties, for feituers, and abatement enacted in the Service Contracts Ordinance, so far as they are applicable to monthly servants or their employers shall extend, and be construed, deemed, and adjudged to extend, to labourers and employers under this Ordinance. It ensures that the duty of every employer has to pay all wages agreed upon or earned by the labourers in his employment in any month on or before the tenth day of the following month. It provides the secure for both employers and the labourers.

5. **Children’s charter Sri Lanka**

Children’s charter provides for the importance of cultural value, for the protection and harmonious development of a child and to improve the living standards of child, protection from separation from parents, protection from kidnapping, freedom to experience, protection of privacy, protection from abuse and neglect, child labour, drug abuse, trafficking, sexual exploitation, sale, abduction, torture, deprivation of liberty and conflicts.

6. **Women’s charter Sri Lanka**

Women’s charter determined to ensure justice and equality and the recognition of gender equality in all areas of life in Sri Lanka. It include political and civil rights, rights within the family, rights to education, training, economic activity, and benefits, health care and nutrition, protection from social discrimination, gender based violence.

7. **Estate Quarters (Special Provisions) Act No. 2 of 1971**

This Act is cited as the Estate Quarters (Special Provisions) Act and according to this Act where the service of any person who is an employee an estate and who is provided with quarters on the estate are terminated by the employer, whether with or without notice, then notwithstanding the termination of such services, such person shall have the right to occupy such quarters together with his dependents until he is ejected there from on a decree of a court of competent jurisdiction and during the period he exercises the right conferred on him and be entitled to have all the facilities which are necessary for the exercise of that right and which he had prior to the termination of his services.

Any person who prevents any other person from exercising the right conferred on such other person or who deprives such other person of any facility to which he is entitled or who interferes with the occupation by such other person of such quarters is guilty of an offence. Any contract or agreement, whether made before or after the date on which this Act came into operation, whereby the right conferred on any person in any way affected or modified to his disadvantage, shall be null and void in so far as it purports to affect or modify such right.
8. Employment of women, young persons and children’s Act, No. 47 of 1956

This act has amended several times and its Provisions to safeguard welfare of women workers. With reference to women workers, night is defined as a period consisting of 11 hours which shall include at least seven consecutive hours falling between 10.00 p.m. and 6.00 a.m. With regard to young persons, it is defined as a period consisting of at least 12 consecutive hours which should end not later than 6.00 a.m. In the case of persons under the age of 16 years, it should include eight consecutive hours falling between 10.00 p.m. and 8.00 a.m. according to the act Females holding responsible positions of a managerial or technical nature, Females employed in health and welfare services who are not ordinarily engaged in manual work and An industrial undertaking where only the members of the same family are employed are not applied. Overtime may be performed by a female subject to the following conditions that The female employee is not less than eighteen years of age, Overtime should not exceed sixty hours per calendar month, The total number of hours worked including overtime but exclusive of intervals for meals or rest should not exceed sixty (60) hours in any week, The total number of hours of work for a day including overtime and intervals for meals or rest should not exceed twelve hours. An employer shall not engage in overtime in during her pregnancy, or a nursing mother for a period of one year from the date of birth of the child or a woman delivered of a still born child for a period of three months from the date of such still birth of a women.

9. Wages Board ordinance (No.27 of 1941, 40 of 1943, 19 of 1945)

An ordinance for the regulation of the wages and other employments of persons employed in trades, for the establishment and constitution of wages boards, and for other purposes connected with or incidental to the matters aforesaid. This Ordinance may be cited as the Wages Boards Ordinance. Part 1 of this ordinance includes Payment of wages, Wage records, Grant of Holiday on the Full Moon Poya Day, Employment on Full Moon Poya Day, Particulars of wages to be furnished to the worker or to his trade union, Recovery of arrears of wages in certain cases, Penalty for failure to comply with provision of Part I, Duration of provisions of sections 2(b) and 3. Part 2 of this ordinance includes provisions relating to particular trades. There are some decisions regarding on wages board such minimum rates of wages, liability of employer to pay minimum wages, wages of worker who works for less than normal working day or does not work at all on any day, intervals at which wages shall be paid, hours of work and weekly holiday, annual holidays, computation, of service for purposes of holidays, determination of different rates of wages to suit special circumstances, publication of proposed decisions by wages boards, procedure for approval of decisions of wages boards by minister, rescission or amendment of decisions of wages board, proof of decisions of wages boards, decisions of wages board to have effect notwithstanding any written law other than this ordinance. There are some provisions relating special cases also include in this ordinance. Such as worker performing two or more classes of work, worker performing piece-work, worker waiting for work on employer’s premises, work done under an arrangement made by way of trade, non-able-bodied worker, apprentices or learners. Other than that duties of employers and offences also include in this ordinance.

10. Workmen’s Compensation Ordinance No.19 of 1934

Under the Workmen’s Compensation Ordinance No.19 of 1934, Office of the Commissioner for Workmen’s Compensation was established to provide the payment of compensation to workmen who meet with accidents in the course of their employment. The objective of the ordinance is to cause the employer to pay compensation, to workmen, if personal injury is caused to him or her by an accident arising out of and in the course of his or her employment or where death results from such injury to his or her dependents. In a claim of compensation by an employee
(workman), the employer can disclaim liability, in respect of any injury which results in disablement of the workman for a period not exceeding three days i.e. a minor injury which depends on medical reports and in respect of any injury, not resulting in death, caused by an accident which is directly attributable to -The workman having been at the time of accident under the influence of drinks (liquor or drugs), or The willful disobedience of an order expressly given by the employer for the purpose of safety, or The willful disregard of any safety guard or other device provided by the employer for the purpose of safety.

11. ILO Convention

A part of the United Nations, the ILO has set minimum standards that should be a right for every worker, all over the world. The International Labour Organization (ILO) is a tripartite organization consisting of trade unions, governments and companies, and is part of the United Nations system. In 1998, the ILO produced the Declaration on Fundamental Principles and Rights at Work. In the Declaration, ILO member states agreed that they should all respect, promote, and realize core labour standards (whether they have been ratified or not). The core labour standards consist of five standards, laid out in eight conventions:

- Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
- The elimination of all forms of forced and compulsory labour (Convention No. 29 & No. 105)
- The effective abolition of child labour (Convention No. 138 & No. 182)
- The elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111)

The CCC calls upon companies to respect, in addition to these, the following internationally recognized labour rights: the right to a living wage based on a regular working week that does not exceed 48 hours; humane working hours with no forced overtime; a safe and healthy workplace free from harassment; and a recognized employment relationship with labour and social protection. These rights have also been laid down in ILO conventions and recommendations and in the UN declaration on human rights and are essential to workers in the garment industry.
Appendix 2.5

RDB’S EXISTING GREEN FINANCE GUIDELINES

There is a financial modal in the bank and named as E friends revolving fund.

Environmentally Friendly Solutions Fund II

Introduction

Environmentally Friendly Solutions Fund II (E-Friends II) Revolving fund is set up by the Government of Sri Lanka to assist industrial enterprises in Sri Lanka in finding solutions to the environmental problems, such as industrial pollutions caused by their manufacturing and energy consumption, and their environmental improvement initiatives such as waste minimization, resource recovery and savings, and pollution control and abatement.

The loan assists industries to comply with the regulations and standards of the Central Environmental Authority (CEA) under the National Environment Act and provides Technical Assistance to adopt cleaner production practices in the industry. Ministry of Industry and Commerce manages the loan and RDB is a sub borrower. Under this loan the sub borrower can request loans for technical assistance, process modernization to meet the environmental requirements nationally.

Eligibility Requirements

Financially viable Industrial Enterprises including sole proprietorships, partnerships, private limited liability companies and co-operative societies are eligible. The investment in fixed assets, excluding land and buildings (owned or leased) at original book value should not exceed Rs. 250.0 Million (need to decide) on completion of the sub-project and the loan is disbursed to urban areas. The investments that are eligible include the following:

(i) Equipment for end-of-pipe treatment and equipment that will lead to reduced emissions or to a lower production of wastes by the enterprises thereby enabling them to comply with the NEA;
(ii) Equipment that leads to substantial reduction in the use of resources by existing equipment & machinery, or the phasing out of hazardous substances;
(iii) Equipment that will substantially improve the safety of work places, especially with regard to the exposure of workers to potentially hazardous substances or noise, etc;
(iv) Investments related to the relocation of highly polluting industries to special industrial estates that are equipped with waste treatment plants and investments by enterprises that set up and operate such treatment plants; and
(v) Equipment for the monitoring of pollutants in connection with (a), (b), (c) or (d).
(vi) Process modernization which involves a financial return and mitigates environmental impact is eligible for 100 percent of project cost
(vii) Investments that lead to an elimination of the use of asbestos, hazardous substances or CFCs.( investments that releases ozone layer depleting substances such as Chloro-Fluoro Carbons (CFCs) are not eligible)
(viii) Under the loan scheme Technical assistance will be given to current and future end-users of the General Sub-Loan and others who are not the current and future end-users of the General Sub-Loan and expected to improve their industrial environment and meet the environmental regulation.
(ix) To covers the cost inquired during investigation of pollution problems, waste minimization alternatives, installation or commission of the equipment financed under the E-Friends II fund.
Appendix 3
ENVIRONMENT SCREENING CHECKLISTs

Appendix 3.1
ENVIRONMENTAL SCREENING FORM (FROM LKR 2.5 MILLION SUB PROJECTS)

Instruction: The purpose of this series of checklists is to collect basic information necessary to determine the potential environmental impacts and risks of a subproject and thus aid the decision making in whether the FI provide financial support for it. Part 1-2 are about the nature and scale of sub-project while REA is about its siting. These are the key factors that determine the environmental impacts thus categorization of a sub-project. Information gathered will also form basis for tracking, monitoring and reporting on environmental performance of the RDB’s portfolio.

PART 1 – to be filled by sub-borrower applying for financial support

<table>
<thead>
<tr>
<th>Basic Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
</tr>
<tr>
<td><strong>2</strong></td>
</tr>
</tbody>
</table>
| **3** | Location/full address:  
*Project Layout should be attached (with major buildings, units & operations)  
Please include photographs (if possible) of a project site and the neighborhood.* |
| **4** | Nature and scope of business:  
(which sub/sector, mainly sale or production or R&D or others? If a combination, rough %?) |
| **5** | Designed (production) capacity:  
(per year and/or per day; if not applicable, need to explain here) |
| **6** | Actual capacity or scale:  
(per year and/or per day; Briefly explain the difference with the designed capacity or scale) |
| **7** | Main production process(es):  
(Provide simple flowchart to show main input of materials, water, energy (heat, steam or fuels etc), output of intermediate and final products, and wastes (gaseous, liquid or solid) etc) |
| **8** | Main product(s):  
Describe briefly the name, main usage, chemical or biochemical |
<table>
<thead>
<tr>
<th>Composition etc.</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profile of employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees below the age 16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Other information

### Sub-project basics

<table>
<thead>
<tr>
<th>Amount of loan requested:</th>
</tr>
</thead>
<tbody>
<tr>
<td>In local currency and USD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intended use of the loan:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briefly describe if it is for new line of business/production, expansion or upgrade/rehab existing business /production or other uses?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Designed (production) capacity:</th>
</tr>
</thead>
<tbody>
<tr>
<td>per year and/or per day; if not applicable, need to explain here</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tech. process(es):</th>
</tr>
</thead>
<tbody>
<tr>
<td>If applicable, provide simple flowchart to show main input of materials, water, energy (heat, steam or fuels etc), output of intermediate and final products.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main product(s) of sale or R&amp;D:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe briefly the name, main usage, chemical or biochemical composition etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>List wastes the sub-project will be generate (where relevant) :</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide estimate their amount if you can per year or per day etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Planned method of waste disposal/management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaseous emissions</td>
</tr>
<tr>
<td>Wastewater</td>
</tr>
<tr>
<td>Solid waste</td>
</tr>
<tr>
<td>Hazardous waste</td>
</tr>
<tr>
<td>Noise</td>
</tr>
</tbody>
</table>

### Other relevant Social/Environmental information(Impacts) (Ex: records of injuries, child labour, occupational safety gear & sanitary facilities associated with project)
### PART 2 – To be filled by the FI(s)

#### Existing business and facilities (if applicable)

<table>
<thead>
<tr>
<th>1</th>
<th><strong>Is it in prohibited, phased out or discouraged sub/sector by national, provincial or local policy?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Is it in prohibited, phased out or discouraged sub/sector according to FI’s internal guidelines/checklist?</strong></td>
</tr>
<tr>
<td></td>
<td><strong>What kind of environmental permit it has? And obtained when?</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Validity period and the issuing authority of Environmental related permits</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Validity Period..............................................................</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Authority.................................................................</strong></td>
</tr>
</tbody>
</table>

#### Sub-project requesting loan

<table>
<thead>
<tr>
<th></th>
<th><strong>What environmental clearance and permits are required domestically? Specify</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Status of such clearance /permit:</strong></td>
</tr>
<tr>
<td></td>
<td>☐ Not start, in process or received</td>
</tr>
<tr>
<td></td>
<td><strong>If received, provide validity and issuing authority</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Validity period..............................................................</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Authority .................................................................</strong></td>
</tr>
<tr>
<td></td>
<td><strong>What environmental documents were prepared for domestic clearance? FI received a copy?</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Other relevant Social/Environmental information (Impacts) (Ex: records of injuries, child labour, occupational safety gear &amp; sanitary facilities associated with project)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Has its siting been screened using the REA (see below)? what is the conclusion on environmental risks posed by its siting?</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Conclusion of the screening</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>Environmental Screener of Branch..............................................................</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Name</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Signature</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Date</strong></td>
</tr>
</tbody>
</table>
PART 3 – To be filled by sub-borrower and FI(s) jointly

After completing part 1-2, subprojects that fall in category B-C should be further screened by the below list about its location which contributes to its potential environmental-social risks thus category.

<table>
<thead>
<tr>
<th>Sensitive receptors and/or protected areas Include but are not limited to:</th>
<th>If inside these areas, please provide details</th>
<th>If outside, where and how far from its boundary?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical habitat and natural habitat as defined by SPS, world natural or cultural heritage sites, officially designated nature reserves, forest park, geo-park, important wetland, key habitats for wildlife, reproduction area of protected flora, spawning, feeding, wintering ground and migrating route for key aquatic life, estuary, mangrove</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated basic farmland, basic grassland, scenic area/park, drinking water source protective zone, oceanic special protective zones, natural fishery ground, key zone for water and soil erosion control, closure zone for desertification etc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Areas with main function as residential, health and medical, cultural, educational, R&amp;D, and offices as well as physical cultural resources/relics, airports, air fields or military bases/zones etc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The project team may attach additional information on the project, as necessary.

<table>
<thead>
<tr>
<th>Environmental Impact Categorization:</th>
<th>Prepared by: (Sub-borrower)</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ A – significant impacts ; EIA &amp; EMP required</td>
<td>Name and Signature: _____________________</td>
</tr>
<tr>
<td>□ B – insignificant impacts; IEE / EMP required</td>
<td>Designation: _____________________</td>
</tr>
<tr>
<td>□ C – no impact; no requirement</td>
<td>Date: _____________________</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reviewed by: (RDB designated officer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Signature: _____________________</td>
</tr>
<tr>
<td>Designation: _____________________</td>
</tr>
<tr>
<td>Date: _____________________</td>
</tr>
</tbody>
</table>
Appendix 3.2
ENVIRONMENTAL SCREENING FORM (BELOW LKR 2.5 MILLION SUB PROJECTS ONLY)

PART 1 – TO BE FILLED BY THE SME LOAN APPLICANT

<table>
<thead>
<tr>
<th>Project Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Name of registered business</td>
<td></td>
</tr>
<tr>
<td>2 Name of relevant local authority</td>
<td></td>
</tr>
<tr>
<td>3 Location of the business</td>
<td></td>
</tr>
<tr>
<td>Project Layout should be attached (with major buildings, units &amp; operations) Please include photographs (if possible) of a project site and the neighborhood.</td>
<td></td>
</tr>
<tr>
<td>Ownership of project land</td>
<td></td>
</tr>
<tr>
<td>☐ Industrial Zone</td>
<td>☐ Non-industrial Zone</td>
</tr>
<tr>
<td>4 If located in a non-industrial area, tick the boxes that best describe the surrounding environment of the site.</td>
<td></td>
</tr>
<tr>
<td>☐ Residences</td>
<td>☐ Home-gardens</td>
</tr>
<tr>
<td>☐ Built up area</td>
<td>☐ School</td>
</tr>
<tr>
<td>5 Nature and scope of business: (which sub/sector, mainly sale or production or R&amp;D or others? If a combination, rough %?)</td>
<td></td>
</tr>
<tr>
<td>6 Designed (production) capacity: quantity/volume/threshold (per year and/or per day; if not applicable, need to explain here)</td>
<td></td>
</tr>
<tr>
<td>7 Actual capacity or scale: (per year and/or per day: Briefly explain the difference with the designed capacity or scale)</td>
<td></td>
</tr>
<tr>
<td>8 Main production process(es): (Provide simple flowchart to show main input of materials, water, energy (heat, steam or fuels etc), output of intermediate and final products, and wastes (gaseous, liquid or solid) etc)</td>
<td></td>
</tr>
<tr>
<td>9 Any chemicals used during the production?</td>
<td></td>
</tr>
<tr>
<td>10 Number of employees</td>
<td></td>
</tr>
<tr>
<td>Male ☐ Female ☐ Total ☐</td>
<td></td>
</tr>
<tr>
<td>Employees below the age 16</td>
<td>☐</td>
</tr>
<tr>
<td>☐ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>11 What is the intended use of the loan?</td>
<td></td>
</tr>
<tr>
<td>☐ Working Capital</td>
<td>☐ Investment Loan</td>
</tr>
<tr>
<td>12 Will the loan support: (i) new line of business/production different from the ongoing activities (ii) expansion/modernization of existing business (If yes, give brief description with capacities.)</td>
<td></td>
</tr>
<tr>
<td>☐ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>☐ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>13 Will there be clearing of land and/or removal of mature trees?</td>
<td></td>
</tr>
<tr>
<td>☐ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>Screening Questions</td>
<td>14 Summarize key environmental issues at screening</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>1.</td>
</tr>
<tr>
<td></td>
<td>2.</td>
</tr>
<tr>
<td></td>
<td>3.</td>
</tr>
<tr>
<td>15 Whether the business is a Prescribed Project according to the EPL Gazette</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes,EPL required □ No ,EPL not required</td>
</tr>
<tr>
<td>16 Has an EPL been obtained?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ No □Applied for EPL</td>
</tr>
<tr>
<td>17 Validity period and issuing authority of EPL</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Validity period: ........................................</td>
</tr>
<tr>
<td></td>
<td>Authority: ..................................................</td>
</tr>
<tr>
<td>18 In case of new projects, have you applied for recommendations?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Applied for recommendations □ Recommendations recived</td>
</tr>
<tr>
<td></td>
<td>Validity Period : ........................................</td>
</tr>
<tr>
<td></td>
<td>Authority: ..................................................</td>
</tr>
<tr>
<td>19 Has the business obtained any other valid environmental clearances/licenses? Specify. (ex: from BOI, GSMB, CCD etc)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ No □ Not Applicable</td>
</tr>
<tr>
<td></td>
<td>........................................................................</td>
</tr>
<tr>
<td>20 Does the business facility have a waste treatment facility?If not, what is the current waste disposal method?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Yes □ No</td>
</tr>
<tr>
<td></td>
<td>Wastewater</td>
</tr>
<tr>
<td></td>
<td>Solid Waste</td>
</tr>
<tr>
<td></td>
<td>Hazardous waste</td>
</tr>
<tr>
<td></td>
<td>Gaseous Waste</td>
</tr>
<tr>
<td>21 Other relevant Social/Environmental information(Impacts) (Ex: records of injuries,child labour, occupational safety gear &amp; sanitary facilities associated with project)</td>
<td></td>
</tr>
<tr>
<td>22 Conclusion of the screening</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Note: The project team may attach additional information on the project, as necessary.</td>
</tr>
<tr>
<td></td>
<td>Environmental Impact Categorization:</td>
</tr>
<tr>
<td></td>
<td>□ A – significant impacts ; EIA &amp; EMP required</td>
</tr>
<tr>
<td></td>
<td>□ B – insignificant impacts; IEE / EMP required</td>
</tr>
<tr>
<td></td>
<td>□ C – no impact; no requirement</td>
</tr>
<tr>
<td>23 Conditions for Loan Approval</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Name of PFI</td>
</tr>
<tr>
<td></td>
<td>Branch</td>
</tr>
</tbody>
</table>
APPENDIX 4
INVolUNTARY RESettlement SCREENING/CATEGORIZATION CHECKLIST

Name of Subborrower: ____________________________

Subproject Title: ____________________________
Location: ____________________________

<table>
<thead>
<tr>
<th>Probable Involuntary Resettlement Effects</th>
<th>Yes</th>
<th>No</th>
<th>Not Known</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Involuntary Acquisition of Land</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Will there be land acquisition?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Is the site for land acquisition known?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Is the ownership status and current usage of land to be acquired known?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Will easement be utilized within an existing Right of Way (ROW)?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Will there be loss of shelter and residential land due to land acquisition?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Will there be loss of agricultural and other productive assets due to land acquisition?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Will there be losses of crops, trees, and fixed assets due to land acquisition?</td>
<td></td>
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<tr>
<td>8. Will there be loss of businesses or enterprises due to land acquisition?</td>
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<tr>
<td>9. Will there be loss of income sources and means of livelihoods due to land acquisition?</td>
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<tr>
<td><strong>Involuntary restrictions on land use or on access to legally designated parks and protected areas</strong></td>
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<tr>
<td>10. Will people lose access to natural resources, communal facilities and services?</td>
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<tr>
<td>11. If land use is changed, will it have an adverse impact on social and economic activities?</td>
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<tr>
<td>12. Will access to land and resources owned communally or by the state be restricted?</td>
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</tbody>
</table>

Information on Displaced Persons:

Any estimate of the likely number of persons that will be displaced by the Project? [ ] No [ ] Yes If yes, approximately how many? ____________________________

Are any of them poor, female-heads of households, or vulnerable to poverty risks? [ ] No [ ] Yes

Are any displaced persons from indigenous or ethnic minority groups? [ ] No [ ] Yes

Note: The project team may attach additional information on the project, as necessary.

IR Categorization:

- [ ] A – significant IR impacts (200 or more); RP required
- [ ] B – insignificant IR impacts; RP required
- [ ] C – no impact; no requirement

Prepared by: (Subborrower)
Name and Signature: ____________________________
Designation: ____________________________
Date: ____________________________

Reviewed by: (RDB designated officer)
Name and Signature: ____________________________
Designation: ____________________________
Date: ____________________________
**INDIGENOUS PEOPLES SCREENING/CATEGORIZATION CHECKLIST**

Name of Subborrower:  
Subproject Title:  
Location:  

<table>
<thead>
<tr>
<th>KEY CONCERNS</th>
<th>YES</th>
<th>NO</th>
<th>NOT KNOWN</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Indigenous Peoples Identification</strong></td>
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<tr>
<td>1. Are there socio-cultural groups present in or use the project area who may be considered as &quot;tribes&quot; (hill tribes, schedules tribes, tribal peoples), &quot;minorities&quot; (ethnic or national minorities), or &quot;indigenous communities&quot; in the project area?</td>
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<tr>
<td>2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the project area as belonging to &quot;ethnic minorities&quot;, scheduled tribes, tribal peoples, national minorities, or cultural communities?</td>
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<tr>
<td>3. Do such groups self-identify as being part of a distinct social and cultural group?</td>
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<tr>
<td>4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?</td>
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<tr>
<td>5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?</td>
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<tr>
<td>6. Do such groups speak a distinct language or dialect?</td>
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<tr>
<td>7. Has such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?</td>
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<td></td>
<td></td>
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<tr>
<td>8. Are such groups represented as &quot;Indigenous Peoples&quot; or as &quot;ethnic minorities&quot; or &quot;scheduled tribes&quot; or &quot;tribal populations&quot; in any formal decision-making bodies at the national or local levels?</td>
<td></td>
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<tr>
<td><strong>B. Identification of Potential Impacts</strong></td>
<td></td>
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<tr>
<td>9. Will the project directly or indirectly benefit or target Indigenous Peoples?</td>
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<tr>
<td>10. Will the project directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)</td>
<td></td>
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</tbody>
</table>
### KEY CONCERNS
(Please provide elaborations on the Remarks column)

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>NOT KNOWN</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Will the project affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)</td>
<td></td>
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<tr>
<td>12. Will the project be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?</td>
<td></td>
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</tbody>
</table>

### C. Identification of Special Requirements
*Will the project activities include:*

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>NOT KNOWN</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?</td>
<td></td>
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<td></td>
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<tr>
<td>14. Physical displacement from traditional or customary lands?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### D. Anticipated project impacts on Indigenous Peoples

<table>
<thead>
<tr>
<th>Project component/activity/output</th>
<th>Anticipated positive effect</th>
<th>Anticipated negative effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LIST ALL PROJECT COMPONENT / ACTIVITY / OUTPUTS HERE</td>
<td>---- INDICATE EFFECTS TO IPS OR PUT N/A AS NECESSARY</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
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<tr>
<td>3.</td>
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<tr>
<td>4.</td>
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<tr>
<td>5.</td>
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</tr>
</tbody>
</table>

Note: The project team may attach additional information on the project, as necessary.

### IP Categorization:
- □ A – significant impacts; IPP required
- □ B – insignificant impacts; IPP required
- □ C – no impact; no requirement

<table>
<thead>
<tr>
<th>Prepared by: (Subborrower)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Signature:</td>
</tr>
<tr>
<td>Designation:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reviewed by: (RDB designated officer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Signature:</td>
</tr>
<tr>
<td>Designation:</td>
</tr>
</tbody>
</table>
APPENDIX 5

OUTLINE OF ENVIRONMENTAL IMPACT ASSESSMENT

An environmental assessment report is required for all environment category A and B subprojects. The level of details and comprehensiveness will be commensurate to the significance of potential environmental impacts and risks. A typical EIA for category A contains the following key elements, whereas the initial environmental examination (IEE) required for category B subprojects has similar coverage but narrower scope and depth with alternative analysis as optional.

A. Executive Summary

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

B. Policy, Legal, and Administrative Framework

2. This section discusses the national and local legal and institutional framework within which the environmental assessment is carried out. It also identifies project-relevant international environmental agreements to which the country is a party.

C. Description of the Project

3. This section describes the proposed project; its major components; and its geographic, ecological, social, and temporal context, including any associated facility required by and for the project (for example, access roads, power plants, water supply, quarries and borrow pits, and spoil disposal). It normally includes drawings and maps showing the project’s layout and components, the project site, and the project’s area of influence.

D. Description of the Environment (Baseline Data)

4. This section describes relevant physical, biological, and socioeconomic conditions within the study area.

E. Anticipated Environmental Impacts and Mitigation Measures

5. This section predicts and assesses the project's likely positive and negative direct and indirect impacts to physical, biological, socioeconomic (including occupational health and safety, community health and safety) impacts in the project's area of influence; identifies measures to avoid, minimize, mitigate or compensate for adverse environmental impacts (in that order of priority).

F. Analysis of Alternatives

6. This section examines alternatives to the proposed project site, technology, design, and operation—including the no project alternative and discusses the basis in selecting the particular site, technology, design, etc.
G. Information Disclosure, Consultation, and Participation

7. This section:
   (i) describes the consultation and disclosure activities undertaken during project design and preparation;
   (ii) summarizes comments and concerns received from affected people and other stakeholders and how these comments have been addressed in project design and mitigation measures;
   (iii) describes the planned information disclosure measures during project implementation.

H. Grievance Redress Mechanism

8. This section describes the grievance redress framework (both informal and formal channels), setting out the time frame and mechanisms for resolving complaints about environmental performance.

I. Environmental Management Plan

9. This section 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 includes the following:
   (i) **Mitigation**—identifies and summarizes anticipated significant adverse environmental impacts and risks for each stage (pre-construction, construction, and operations phase).
   (ii) **Monitoring**—describes monitoring measures, 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.
   (i) **Implementation arrangements**—describes the responsible persons/entities in carrying out mitigation and monitoring measures; and the budget required to implement the mitigating measures.

J. Conclusion and Recommendation

10. This section provides the conclusions drawn from the assessment and provides recommendations.
APPENDIX 6
OUTLINE OF ENVIRONMENTAL-SOCIAL ANNUAL REPORT BY RDB

FI is required to submit the annual performance report to ADB. Please include additional sheets or attachments as required to provide details.

<table>
<thead>
<tr>
<th>Name of Organization</th>
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<tbody>
<tr>
<td>Completed by (name):</td>
<td></td>
</tr>
<tr>
<td>Position in organization</td>
<td>Date:</td>
</tr>
<tr>
<td>Reporting period</td>
<td>From: To:</td>
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</tbody>
</table>

A. Subprojects processed under ADB fund during the reporting period

<table>
<thead>
<tr>
<th>Name of Subproject</th>
<th>Sub /sector</th>
<th>Tenor of Subloan (Months)</th>
<th>Subloan amount (.000 US$)</th>
<th>Safeguard Category</th>
<th>Environ, IR or IP issues and actions taken</th>
<th>Status (approve, revise or reject)</th>
<th>Reasons for revise or reject</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td>Env IR IP</td>
<td>Environ, IR or IP issues and actions taken</td>
<td>Status (approve, revise or reject)</td>
<td>Reasons for revise or reject</td>
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<td></td>
<td>Env IR IP</td>
<td>Environ, IR or IP issues and actions taken</td>
<td>Status (approve, revise or reject)</td>
<td>Reasons for revise or reject</td>
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<td></td>
<td>Env IR IP</td>
<td>Environ, IR or IP issues and actions taken</td>
<td>Status (approve, revise or reject)</td>
<td>Reasons for revise or reject</td>
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<td></td>
<td>Env IR IP</td>
<td>Environ, IR or IP issues and actions taken</td>
<td>Status (approve, revise or reject)</td>
<td>Reasons for revise or reject</td>
</tr>
</tbody>
</table>

Env = environment, IR = involuntary resettlement, IP = indigenous peoples.
* Please use the sectors listed in the earlier table or any standard classification

B. Category B or A Subprojects Using ADB Funds

More information about all subprojects at category B or A approved during this reporting period. [Need to discuss with FIs, as some info here already captured by forms in Appendix 3-4.]

<table>
<thead>
<tr>
<th>Name of Subborrower and subproject:</th>
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<tbody>
<tr>
<td>Subproject location:</td>
<td></td>
</tr>
<tr>
<td>Industry sector:</td>
<td></td>
</tr>
<tr>
<td>Value of exposure (US$ million):</td>
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<tr>
<td>Safeguard category:</td>
<td>Environment:</td>
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<td></td>
<td>Involuntary Resettlement (IR):</td>
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<td></td>
<td>Indigenous Peoples (IP):</td>
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<tr>
<td>Question</td>
<td>Answer</td>
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<td>-------------------------------------------------------------------------</td>
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<tr>
<td>Any E&amp;S due diligence by your organization? If yes, is it desk review of safeguard documents, and/or field visit, and by whom and when?</td>
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<tr>
<td>Any environmental assessment report (including EMP), IR plan, or IP plan, or audit reports reviewed by your organization? If yes, please provide the names of documents reviewed.</td>
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<tr>
<td>What were the main environmental, IR and IP issues associated with this subproject, and how were the issues dealt with?</td>
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<tr>
<td>For category A subprojects, how were safeguards documents (EIA, RP, IPP, or audit reports) publicly disclosed? Please provide web link and the date.</td>
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<tr>
<td>Were any conditions or covenants related to E&amp;S issues made along with the investment? If yes, please briefly describe.</td>
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<tr>
<td>Does the subproject comply with applicable domestic and ADB safeguard requirements?</td>
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<tr>
<td><strong>Any incidents of non-compliance? Please describe how you ensure subproject E&amp;S compliant.</strong></td>
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<tr>
<td>How you monitor the subborrower and its subproject's performance? Please describe supporting docs such as E&amp;S monitoring reports.</td>
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C. **FI's portfolio by Sub/Sectors**  
please provide an indicative % of FI's portfolio, or only those financed under ADB project if it can be separated from its entire portfolio.

<table>
<thead>
<tr>
<th>Industrial Sector or subsector</th>
<th>Subloan in XX year</th>
<th>By subloan amount</th>
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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
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</table>
D. Sustainable Finance (Summary of subprojects with E&S Benefits)

<table>
<thead>
<tr>
<th>Subproject Name</th>
<th>Value Financed by the Financial Institution (US$ million)</th>
<th>Type of Social and Environmental Benefit</th>
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E. Additional information for the reporting period

1. Please provide the number of subprojects where a field visit was conducted to review aspects including social E&S issues.

2. Please provide details of any accidents/litigation/complaints/regulatory notices and fines, their causes and corrective actions being taken.

3. Please state any difficulties related to the ESMS implementation. What are the possible causes and actions being taken by your organization? What are the recommendations of ADB’s mission?
APPENDIX 7

SUGGESTED SCOPE FOR ANNUAL MONITORING REPORT FOR SUBPROJECT COMPANIES/CLIENTS

A. Sub-project Name and Summary Information

(i) Name of company/client
(ii) Location of sub-project (address, land use, surrounding environmental features)
(iii) Nature (main products, composition, function/uses, technical process, etc.)
(iv) Scale/size (footprint, annual production capacity, etc.)
(v) Sub-project amount
(vi) Purpose of sub-loan
(vii) Term of sub-loan

B. Relevant Environmental Permits or Compliance Certificates

(i) Issued by which government agencies
(ii) Issuance dates and duration of validity
(iii) Permit conditions and renewal requirements

C. Incidents of Violations or Non-Compliance

(i) Nature of non-compliance
(ii) Violation or non-compliance based on what environmental standards and regulations
(iii) Recorded dates and authorities
(iv) Media or community reactions (if any) or complaints received

D. Incidents of Environmental and Safety Accidents

(i) Incident recorded dates,
(ii) Scale of damage and injury (if any)
(iii) Authorities in charge of investigation/recording
(iv) Media or community reactions (if any) or complaints received

E. Institutional Capacity

(i) Staff capacities in environmental management (as relevant)
(ii) Degree of awareness of:
   (i) environmental management,
   (ii) health and safety,
   (iii) environmental laws and regulations
(iii) Training programs carried out
(iv) Needs assessment of environmental management capacity