



ENVIRONMENTAL AND SOCIAL FRAMEWORK

DECEMBER 2024

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Abbreviations

ADB	Asian Development Bank
BAP	biodiversity action plan
BOMP	biodiversity offset management plan
CAP	corrective action plan
CF	corporate finance
CHMP	cultural heritage management plan
DDR	due diligence report
DMC	developing member country
E&S	environmental and social
EAL	emergency assistance loan
EHSG	environmental, health, and safety guidelines
ERP	emergency response plan
ESAP	environmental and social action plan
ESCP	environmental and social commitment plan
ESF	Environmental and Social Framework
ESDD	environmental and social due diligence
ESMF	environmental and social management framework
ESMP	environmental and social management plan
ESMS	environmental and social management system
ESS	Environmental and Social Standards
FCAS	fragile and conflict-affected situations
FI	financial intermediary
FPIC	free, prior and informed consent

Abbreviations

GHG	greenhouse gas
GIP	good international practice
HSMP	health and safety management plan
IPP	Indigenous Peoples Plan
IPPF	Indigenous Peoples planning framework
LA	land acquisition
LAF	land acquisition framework
LAP	land acquisition plan
LUR	land use restriction
MFF	multitranche financing facility
OHS	occupational health and safety
PAP	program action plan
PMP	pest management plan
PRF	project readiness financing
PSSA	program safeguards systems assessment
RBL	results-based lending
SEAH	sexual exploitation, abuse, and harassment
SEFF	small expenditure financing facility
SEP	stakeholder engagement plan
SESA	strategic environmental and social assessment
SIDS	small islands developing states
TA	technical assistance

Definitions

Terms	Reference
<p>Absolute greenhouse gas (GHG) emissions. GHG emissions and removals resulting from a project, including all scope 1 and scope 2 emissions attributable to projects, and scope 3 emissions, where relevant and data is available. Absolute emissions can be positive or negative, where removals result in negative absolute GHG emissions. For purposes of this definition, the following apply:</p> <ul style="list-style-type: none"> • Scope 1 emissions. These are direct GHG emissions that occur from sources that are owned or controlled by the entity implementing a project, such as fossil-fuel combustion in industrial processes. • Scope 2 emissions. These are indirect GHG emissions that occur from sources that are not owned or controlled by the entity implementing a project, and include GHG emissions from the generation of electricity, steam, and heating/cooling that are purchased or acquired for use within a project. • Scope 3 emissions. These are other indirect emissions that are a direct consequence of a project’s operations and activities but arise from GHG sources that are not owned or controlled by the entity implementing the project, such as transport of raw materials or finished products. 	ESS9
<p>Artifact. Portable objects that are a product or by product of past human activity and may be part of a cultural heritage site or may occur as isolated objects. Archaeological artifacts may lose substantial cultural and scientific value when removed, without expert notation, from their original location or physical context. The unauthorized acquisition or sale of cultural artifacts typically violates national law and international instruments.</p>	ESS8
<p>Asset class. A class of financing or investment activities of a financial intermediary, including prospective business activities, relating to a specific line of business, sector, industry, practice, region, client, or other distinctive characteristic.</p>	Financing Modalities
<p>Assimilative capacity. The capacity of the environment for absorbing an incremental load of pollutants while remaining below a threshold of unacceptable risk to human health and the environment.</p>	ESS3
<p>Associated facilities. New facilities or activities that are not funded as part of a project and, in the judgment of Asian Development Bank (ADB), are (i) directly and significantly related to the project; (ii) developed, or contemporaneously planned to be developed, with the project; and (iii) necessary for the project to be viable and would not have been developed if the project did not exist.</p>	E&S Policy, ESS1
<p>Baseline GHG emissions. GHG emissions or removals from sources that would occur in the absence of a project or the baseline scenario. The baseline scenario is the most feasible, conservative, and realistic alternative to a project that would provide the same level of service.</p>	ESS9

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Terms	Reference
Biodiversity. The variability among living organisms from all sources including terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.	E&S Policy; ESSs 1, 3, 4, 6, 7
Biodiversity offsets. Measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimization, and restoration measures have been taken.	ESS6
Borrower/Client. Borrower refers to borrowers, recipients, guarantors, or other beneficiaries, and may also include executing agencies, as applicable, of ADB-financed and administered loans, grants, and other funds, in each case in the context of ADB's sovereign operations. Client refers to borrowers, sponsors, or other recipients or beneficiaries of ADB-financed and administered loans, equity investments, guarantees, grants, and other funds, as applicable for a project, in each case in the context of ADB's private sector operations.	All
Chance find. Discovery of apparent tangible cultural heritage, or other cultural heritage sensitivity, made during post-assessment project activities such as site preparation, excavation or grading.	ESS8
Child labor. Work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development. This includes work that: (i) is mentally, physically, socially, or morally dangerous and harmful to children; (ii) interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long and heavy work; and/or (iii) involves hazardous conditions, such as exposure to dangerous substances, heavy machinery, or extreme temperatures that can endanger the health, safety, or well-being of children.	ESS2
Circular economy approach. A programmatic systems approach to support economic development that decouples economic activity from the consumption of finite resources, eliminates waste and pollution, circulates products and materials, and regenerates nature.	E&S Policy, ESS3
Civil society organizations. Organizations (i) not based in a government, (ii) not created to earn a profit, and (iii) operate around common interests. They vary in size, interests, and function, and include nongovernment organizations, youth groups, community-based organizations, independent academic and research institutes, professional associations, foundations, faith-based organizations, people's organizations, and labor unions.	Vision; E&S Policy; ESSs 1, 7
Climate change. A change in the state of the climate that can be identified, for example, by using statistical tests, by changes in the mean and/or the variability of its properties, and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcings, or to persistent anthropogenic changes in the composition of the atmosphere or in land use.	E&S Policy; ESSs 1, 3, 4, 6, 7, 9
Climate change adaptation. In human systems, the process of adjustment to actual or expected climate and its effects, to moderate harm, or to exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate.	E&S Policy; ESSs 1, 4, 9
Climate change mitigation. A human intervention to reduce the sources or enhance the sinks of greenhouse gases.	E&S Policy; ESSs 1, 4, 9
Climate change vulnerability. The degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude, and rate of climate variation to which a system is exposed, its sensitivity, and its adaptive capacity.	E&S Policy, ESS9

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Terms	Reference
Cofinancing. This includes all types of cofinancing arrangements provided by ADB under its cofinancing policies.	E&S Policy, ESS1
Collective attachment. For generations there has been a physical presence in and economic ties to lands and territories traditionally owned, or customarily used or occupied, by the group concerned, including areas that hold special significance for it, such as sacred sites. Collective attachment also refers to the attachment of transhumant/nomadic groups to the territory they use on a seasonal or cyclical basis.	E&S Policy, ESS7
Collective dismissal. An employment termination of several workers on the grounds of economic, technological, structural, or similar reasons.	ESS2
Community workers. Workers engaged or employed by a borrower/client from a community or communities in a project-affected area for community labor.	ESS2
Connectivity. The unimpeded movement of species and the flow of natural processes on land, in the air, and in freshwater and marine habitats.	ESS6
Contracted workers. Workers engaged or employed by a third-party (a party or entity that is not a borrower/client and including contractors, subcontractors, brokers, agents or intermediaries) to perform work and/or provide service processes essential for a specific project activity without which a project or project activity cannot continue, regardless of location.	ESS2
Critical habitat. A subset of natural and modified habitats, comprising areas of highest biodiversity value of significant importance to one or more types of priority biodiversity features. This includes areas of very high biodiversity conservation value and of significant importance to one or more types of priority biodiversity features, including (i) threatened ecosystems, (ii) geographically-restricted ecosystems, (iii) threatened species, (iv) endemic/geographically-restricted species, (v) geographically-restricted assemblages, (vi) aggregations of migratory or congregatory species, (vii) areas associated with key evolutionary processes, or (viii) ecological functions that are vital to maintaining the viability of priority biodiversity features.	E&S Policy; ESSs 1, 6
Cultural heritage. Tangible and intangible cultural sites or artifacts, which may be recognized and valued at a local, regional, national, or global level and that merit conservation or protection, as follows: <ul style="list-style-type: none"> <li data-bbox="168 1234 1312 1472">(i) Tangible cultural heritage includes movable or immovable artifacts, cultural heritage sites, built heritage, and natural features and landscapes that have archaeological, paleontological, scientific, historical, architectural, religious, or other cultural significance. Tangible cultural heritage may be found in urban or rural settings and may be above or below ground or underwater and may be previously known or studied. Human remains, whether part of an archaeological or landscape feature, graveyard, simple isolated gravesite, or only a physical memorial of human life, constitute tangible cultural heritage. <li data-bbox="168 1478 1312 1646">(ii) Intangible cultural heritage includes practices, representations, expressions, knowledge, skills, and language as well as the associated instruments, objects, and artifacts, which communities and groups recognize as part of their cultural heritage, and is transmitted from generation to generation, and which may be constantly recreated by those groups and communities as part of their interaction with nature and their history, and with other human groups. 	E&S Policy; ESSs 1, 7, 8
Cultural heritage site. The location of an archaeological site and any other cultural heritage resources, including but not limited to historic buildings, museums, repositories, shipwrecks, shrines, or sacred natural features. An archaeological site is a fixed location of a group of related archaeological resources.	ESS8

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Terms	Reference
Culturally appropriate. Designing, preparing, and/or implementing a project, in a manner that is aligned with, recognizes, and/or integrates the cultural norms and practices of the project-affected persons or the local communities where the project is being carried out. For purposes of ESS7, this means providing project benefits and services in a way that takes into account indigenous knowledge, language characteristics, institutions, and Indigenous Peoples' perspective on the nature and delivery of these benefits. It is a participatory practice and requires meaningful consultation with project-affected Indigenous Peoples to seek their responses and perspective on the nature and delivery of potential benefits.	ESSs 5, 7
Cumulative impacts. The incremental impact of a project when added to impacts from other relevant past, present, and reasonably foreseeable developments as well as unplanned but predictable activities enabled by a project that may occur later or at a different location. Cumulative impacts can result from individually minor but collectively significant activities taking place over a period of time. Cumulative impacts include impacts generally recognized as important based on scientific concerns and/or reflect the concerns of project-affected persons.	E&S Policy; ESSs 1, 3, 6, 8
Dam. This includes a water storage dam for a hydropower, water supply, irrigation, flood control, or multipurpose project, a tailings or slimes dam, or an ash impoundment dam.	ESS4
Digital risks. For the purposes of this ESF, digital risks are risks related to cybersecurity, data privacy, and data management resulting from creation, delivery, and use of digital technologies and information technologies.	E&S Policy, ESS1
Direct impact. An impact that is caused by a project and occurs contemporaneously in the location of a project.	ESSs 1, 4, 6, 7, 8
Direct workers. Workers engaged or employed directly by a borrower/client (including the project proponent and the project executing and implementing agencies) to work on a project.	ESS2
Disadvantaged or vulnerable. Those individuals or groups who, by virtue of, for example, their age, gender, ethnicity, religion, disability, social, civic or health status or information, sexual orientation, gender identity, economic disadvantages or indigenous status, and/or dependence on unique natural resources, may be more likely to be at risk of being adversely affected by project impacts, and/or more limited than others in their ability to take advantage of a project's benefits, and/or excluded from/unable to participate fully in consultation processes and benefit-sharing in a project.	E&S Policy; ESSs 1, 2, 4, 5, 7, 9, 10
Ecological function. Intrinsic ecosystem characteristics that ensure integrity is maintained. Ecological functions include decomposition, production, water and nutrient cycling, fluxes of nutrients and energy, and connectivity between ecosystems and populations that maintain ecosystem integrity. Ecological function is also known as ecological/ecosystem processes/functions.	E&S Policy, ESS6
Economic displacement. This occurs when there is a loss of land, assets, access to land assets, and resources, and/or loss of income sources and means of livelihood.	ESS5
Ecosystem. The dynamic complex of plant, animal, and microorganism communities and their nonliving environment interacting as a functional unit.	E&S Policy; ESSs 3, 6, 9
Ecosystem services. The benefits that people, including businesses, derive from ecosystems. Ecosystem services are generally organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain other ecosystem services.	E&S Policy; ESSs 1, 3, 4, 6, 7, 8

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Terms	Reference
Emergency. A threatening or realized condition that requires urgent action to avoid or address disruption and loss. This includes situations related to food, health, biological, industrial, and technological events.	ESS4, Financing Modalities
Environmental and social (E&S) assessment and management documents. Tools, methods, plans, or framework to assess environmental and social risks and impact of a project, to determine mitigation measures and actions, and to implement such mitigation measures and actions in accordance with the ESSs. These include environmental and social impact assessment, environmental and social audit, cumulative impact assessment, strategic environmental and social assessment, environmental and social management systems, environmental and social management plan, land acquisition plan, land acquisition framework, Indigenous Peoples plan, Indigenous Peoples planning framework, biodiversity action plan, biodiversity management plan, biodiversity offset management plan, biodiversity monitoring and evaluation plan, cultural heritage management plan, labor management plan, health and safety management plan, emergency response plan, pest management plan, cultural heritage management plan, stakeholder engagement plan, and other plans as agreed with ADB.	E&S Policy; ESSs 1, 2, 3, 4, 5, 6, 7, 8, 10; Financing Modalities
Environmental and social (E&S) risks and impacts. Risks or impacts of a project on environmental and social receptors. A risk arises when a project activity serves as a source of impact, to be created on a receptor through a pathway. A risk is dependent on the likelihood of harm, sensitivity of the receptors, and severity of the impact.	E&S Policy; ESSs 1, 3, 5, 8, 10; Financing Modalities
Environmental flow. The volume, quality, and timing of the flows of water, sediment, and biota necessary to sustain aquatic ecosystems and the human livelihoods and well-being that depend on those ecosystems	E&S Policy; ESSs 1, 6
Environmental, Health, and Safety Guidelines (EHSGs). Technical reference documents issued by the World Bank Group with general and industry-specific statements of good international industry practice. The EHSGs contain the performance levels and measures that are generally considered to be achievable in new facilities by existing technology at reasonable cost. These guidelines may be amended from time to time.	E&S Policy; ESSs 1, 3, 4
Financial intermediary (FI). A variety of financial institutions such as universal banks, investment banks, private equity funds, venture capital funds, microfinance institutions, and leasing and insurance companies.	E&S Policy, ESS1, Financing Modalities
Forced eviction. Permanent or temporary removal against the will of individuals, families, and/or communities from the homes and/or land that they occupy without the provision of, or access to, appropriate forms of legal and other protection.	ESSs 5, 7
Forced labor. All work or service that is exacted from any person under the threat of force or a penalty and for which the person has not offered themselves voluntarily.	ESS2
Forced severance. A loss of collective attachment to geographically distinct habitats or ancestral territories occurring within the concerned group members' lifetime because of conflict, government resettlement programs, dispossession from their lands, natural calamities, or incorporation of such territories into an urban area. For purposes of ESS7, "urban area" normally means a city or a large town, and considers all of the following characteristics, no single one of which is definitive: (i) the legal designation of the area as urban under domestic law, (ii) high population density, and (iii) high proportion of nonagricultural economic activities relative to agricultural activities.	ESS7

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Terms	Reference
Genetic resources. Any material of plant, animal, microbial, or other origin containing functional units of heredity, and which is of actual or potential value.	ESS6
Good international practice (GIP). The exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. The World Bank Group EHSs will be one of the primary GIPs along with other specific guidelines and standards as agreed between borrower/client and ADB.	E&S Policy; ESSs 1, 2, 3, 4, 6, 8
Greenhouse gases (GHG). The atmospheric gases responsible for causing global warming and climate change. These include carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF ₆), and nitrogen trifluoride (NF ₃).	E&S Policy, ESS9
Habitat. A terrestrial, freshwater, or marine geographical unit or airway that supports assemblages of living organisms and their interactions with the nonliving environment.	ESS6
Hazardous chemicals, substances, and materials. Chemicals, substances, or materials that have one or more inherent hazardous physical or chemical properties such as flammable, corrosive, toxic, radioactive, sharp, and others which can result in a significant adverse effect on the environment, human health, and property.	ESSs 3, 4
Hazardous child labor. This includes work and activities (i) with exposure to physical, psychological, or sexual exploitation, abuse, and harassment (SEAH); (ii) occurring underground, underwater, working at heights, or in confined spaces; (iii) with dangerous machinery, equipment, or tools, or involving handling of heavy loads; (iv) in unhealthy environments exposing the worker to hazardous substances, agents, processes, temperatures, noise, or vibration damaging to health; or (v) under difficult conditions such as long hours, late night, or confinement by employer.	ESS2
Hazardous waste. Waste that shares the properties of a hazardous material, for example ignitability, corrosivity, reactivity, or toxicity, or other physical, chemical, or biological characteristics that may pose a potential risk to human health or the environment if improperly managed.	ESSs 3, 4
Higher risk transactions. Activities and transactions financed by FIs that present high to substantial E&S risks (part or all of FI-1 and FI-2 portfolio).	E&S Policy, ESS 1, Financing Modalities
Historical pollution. Pollution from past activities affecting land and water resources for which no party has assumed or been assigned responsibility to address and carry out the required remediation.	ESS3
Host communities. Communities living in areas to which physically displaced persons are located.	ESS 5
Host country. Country in which a project is physically located or carried out.	All
Host country's applicable laws. These refer collectively to laws, regulations, procedures, rules, standards, codes, and/or other legal and regulatory requirements of a host country, including those that implement the host country's obligations under international instruments, that regulate, govern, or are otherwise relevant to the environmental and social system of a host country. For purposes of ESS2, the term "Host country's applicable laws" may also include the governing laws as set out in the employment contract and/or other mandatory applicable laws to the project workers, as relevant.	E&S Policy; ESSs 1, 2, 3, 4, 5, 6, 7, 8; Financing Modalities

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Terms	Reference
<p>Indigenous Peoples. A distinct social and cultural group possessing the following characteristics in varying degrees: (i) self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others; (ii) collective attachment to geographically distinct areas or ancestral territories or areas of seasonal use or occupation, including nomadic and transhumance routes in a project-affected area and to the natural resources in these areas and territories; (iii) customary cultural, economic, social, or political institutions, laws, or regulations that are separate from those of the mainstream society and culture; and (iv) a distinct language or dialect, often different from the official language of the country or region.</p>	E&S Policy; ESSs 1, 6, 7, 8; Financing Modalities
<p>Indirect impact. An impact that is caused by a project and is later in time or farther removed in distance than a direct impact but is still reasonably foreseeable.</p>	ESSs 1, 6, 7, 8; Financing Modalities
<p>Integrated pest management (IPM). A mix of farmer-driven, ecologically-based pest control practices that seeks to reduce reliance on synthetic chemical pesticides. It involves: (i) managing pests by keeping them below economically damaging levels rather than seeking to eradicate them; (ii) integrating multiple methods by relying, to the extent possible, on nonchemical measures to keep pest populations low; and (iii) selecting and applying pesticides, when they have to be used, in a way that minimizes adverse effects on beneficial organisms, humans, and the environment.</p>	ESS3
<p>Integrated vector management (IVM). A rational decision-making process for the optimal use of resources for vector control. The approach seeks to improve the efficacy, cost-effectiveness, ecological soundness, and sustainability of disease-vector control and the intended users.</p>	ESS3
<p>International instruments. These refer collectively to treaties, declarations, conventions, protocols, recommendations, international agreements that regulate matters of concern to states, and other instruments adopted by international conferences, organizations, or parties to a memorandum of understanding that generally shape international relations and cooperation among states, regulate, govern, or are otherwise relevant to the environmental and social systems. These may form international laws or legal instruments, but may also be nonbinding commitments of the host countries.</p>	E&S Policy; ESSs 1, 2, 3, 6, 7, 8, 9, PIAL
<p>Internationally-recognized area. UNESCO Natural World Heritage Sites, Biosphere Reserves, Ramsar Wetlands of International Importance, Key Biodiversity Areas, Important Bird Areas, Alliance for Zero Extinction Sites, and other areas that may be recognized under international instruments or international initiatives.</p>	ESS6
<p>Internationally recognized experts. This refers to experts with professional breadth, technical expertise, and experience of the expert are appropriate to the complexity of the project-specific issues under consideration and is able to provide independent advice to the project. The experts can be national or international experts.</p>	ESS1
<p>Invasive alien species. Nonnative species that may become invasive or spread rapidly by outcompeting native plants and animals when they are introduced into a new habitat that lacks their controlling factors as determined by natural evolution.</p>	ESS6

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Terms	Reference
<p>Involuntary land acquisition. Involves acquisition of formal legal and recognizable legal land rights and/or land use rights through expropriation, eminent domain or other compulsory procedures, as well as through negotiated settlement, where expropriation or other procedures under compulsory acquisition can be initiated in case negotiation fails. Involuntary land acquisition may include outright transfer, expropriation of property, and acquisition of access rights, such as easements or rights of way. It may also include acquisition of unoccupied or unutilized land whether or not the landholder relies upon such land for income or livelihood purposes.</p>	ESS5
<p>Involuntary land use restriction. Refers to limitations and/or prohibitions on the use of agricultural, residential, commercial, or other land, that are directly introduced and put into effect as part of a project. This may include repossession of public land that is used or occupied by individuals or households; project impacts that result in land being submerged or otherwise rendered unusable or inaccessible; restrictions on access to natural resources and legally designated parks and protected areas, including those established as part of a project; restrictions on access to other common property resources, communal property, and natural resources including waterbodies, such as freshwater and marine environments; and restrictions on land use within utility easements or safety zones.</p>	ESS5
<p>Land. For purposes of ESS5, includes anything growing on or permanently affixed to land, such as crops, buildings, and other improvements, including those located above and below the land, and appurtenant water bodies, including freshwater and marine environments.</p>	ESS5
<p>Land acquisition and land use restriction (LA/LUR). Refers to all methods of obtaining land or restricting land use in connection with a project. Project-related LA/LUR may cause physical displacement, economic displacement, or both to affected persons.</p>	E&S Policy; ESSs 1, 5; Financing Modalities
<p>Livelihood. Refers to the full range of ways and means that project-affected persons and communities utilize to make a living such as wages from employment; cash income earned through an enterprise or through sale of produce, goods, handicrafts, or services; rental income from land or premises; income from a harvest or animal husbandry, share of a harvest, such as sharecropping arrangements, or livestock production; self-produced goods or produce used for self-consumption, exchange, or barter; self-consumed goods or produce; food, materials, fuel, and goods for personal or household use or trade derived from natural or common resources; and pensions and other types of government allowances.</p>	E&S Policy; ESSs 1, 5, 6, 7, 9
<p>Living natural resources. Living organisms including but not limited to plants, animals, and fungi, whether in the wild or cultivated for human or animal consumption and use.</p>	E&S Policy; ESSs 1, 3, 6

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Terms	Reference
<p>Meaningful consultation. A two-way process that</p> <ul style="list-style-type: none"> (i) Begins early in the project planning process to gather initial views on a project proposal and inform project design; (ii) Is conducted in a transparent and accessible manner; (iii) Encourages stakeholder feedback, particularly as a way of informing project design, identification and mitigation of E&S risks and impacts, and other project implementation issues; (iv) Is undertaken in an atmosphere free of external manipulation, discrimination, coercion, intimidation, and threat of reprisal and appropriately designed to address these concerns; (v) Is continuous throughout the design, preparation, and implementation phases of a project cycle, as E&S risks and impacts arise, and project benefits are recognized; (vi) Is based on early disclosure and dissemination of information in a form, language, and manner that is culturally appropriate, gender-responsive, understandable, and readily accessible to project-affected persons; (vii) Supports active and inclusive engagement with project-affected persons and is tailored to different stakeholder needs; (viii) May involve separate discussions for different project-affected persons and consider the local languages of project-affected persons and educational differences as well as potential social bias; (ix) Considers and responds to feedback from stakeholders; and (x) Will include new or updated information relevant to a project. 	E&S Policy; ESSs 2, 4, 5, 7, 8, 9, 10; Financing Modalities
<p>Migrant project worker. A project worker who has migrated from one country to another or from one part of a country to another for purposes of employment.</p>	ESS2
<p>Mitigation hierarchy. Measures taken to (i) anticipate and as a first priority avoid E&S risks and impacts; (ii) where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels; and (iii) once risks and impacts have been minimized or reduced, mitigate, restore, and/or compensate for adverse impacts on the environment and project-affected persons. Where significant residual impacts remain, the borrower/client will compensate for or offset them, where technically and financially feasible.</p>	E&S Policy; ESSs 1, 3, 4, 5, 6, 7, 8
<p>Modified habitats. Areas that contain a large proportion of plant and/or animal species of nonnative origin, and/or where human activity has substantially modified an area's primary ecological functions or species composition.</p>	ESS6
<p>Natural capital. The world's stocks of natural assets, which include geological resources, soil, air, water, and all living things.</p>	ESS6
<p>Natural habitats. Areas composed of assemblages of plant and animal species of largely native origin, where human activity has not essentially modified an area's primary ecological functions and species composition.</p>	E&S Policy; ESSs 1, 6
<p>Natural resources. Biological, mineral, atmospheric, and aesthetic resources that occur naturally in the environment and can be utilized by humans. Natural resources can be both renewable as well as nonrenewable.</p>	ESSs 5, 6, 7
<p>Net gain. Goes beyond no net loss. Net gain may be achieved through the development of a biodiversity offset or other compensatory program and should demonstrate a benefit to that biodiversity nationally and/or regionally, beyond the project level and a project-affected area.</p>	ESS6

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Terms	Reference
Net impact. A singular or cumulative impact on a species' or ecosystem's ability to persist at the global, regional, and/or national scale for many generations or over a long period of time. The scale, whether global, regional, or national, of the potential net impact should be ecologically appropriate, for example, determined based on a species' listing on either the global International Union for Conservation of Nature Red List of Threatened Species™ and/or on regional or national lists.	ESS6
No net loss. The point at which project-related impacts on priority biodiversity features are reduced by avoidance, minimization, and/or reinstatement measures, and offsetting compensates fully for all significant residual impacts such that no significant net impacts on biodiversity remain.	ESS6
Nonhazardous waste. Any garbage or refuse, including domestic trash and garbage, inert construction and/or demolition materials, metal scrap, and empty containers, except those previously used to contain hazardous materials, which should be managed as hazardous waste.	ESS3
Offset. Appropriate compensatory measure that aims to ensure a project's residual impacts that are likely to remain significant after mitigation do not cause significant net environmental degradation.	ESSs 1, 3, 6, 8
Offsetability. Determined by examination of the inherent vulnerability or irreplaceability of affected biodiversity, the magnitude of project residual impacts, availability of funding, capacity of the offset implementing agency, time available, and available offset opportunity.	ESS6
Other interested parties. Individuals, communities, or groups which may be natural or legal entities, who may have an interest in a project but may not necessarily be project-affected persons.	ESSs 1, 10
Physical displacement. This occurs when there is a loss of residential or business premises, residential and/or homestead land, loss of shelter, and/or the loss of essential public facilities, amenities and utilities, resulting in relocation and resettlement.	E&S Policy, ESS5
Pollution. May be physical, biological, and/or chemical. The presence of substances and energy, including heat, light, noise, vibration and electromagnetic energy, in environmental media, including air, water, and soil, whose nature, location, or quantity produces undesirable environmental effects.	E&S Policy, 3, 6
Pollution to air. The release of air pollutants, which are often associated with the combustion of fossil fuels, such as nitrogen oxides (NO _x), sulfur dioxide (SO ₂), carbon monoxide (CO), particulate matter (PM) including the finer fractions PM10 and PM2.5, as well as other contaminants including GHGs.	E&S Policy; ESSs 1, 3
Pollution prevention. The actions required to avoid polluting activities if possible and then effectively control the risk of pollution to people, ecosystem services, and environmental resources, including air, water and soil.	ESSs 1, 3
Precautionary approach. In order to protect the environment and cultural heritage, where there are threats of serious or irreversible damage, imperfect knowledge of baseline conditions, or lack of full scientific certainty will not be used as a reason for postponing cost-effective measures to prevent environmental degradation or potential cultural heritage impacts.	ESSs 3, 6, 8
Primary suppliers. Suppliers who, on an ongoing basis, provide directly to a project goods or materials essential for production and/or service processes that are necessary for a specific project activity and without which a project or project activity cannot continue.	ESSs 1, 2, 6
Primary supply workers. Workers engaged or employed by a borrower's/client's primary suppliers.	ESS2
Priority biodiversity features. A subset of biodiversity that is particularly irreplaceable or vulnerable.	ESSs 2, 6

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Terms	Reference
Project. This includes all ADB-financed and/or ADB-administered sovereign and private sector projects, and their components regardless of the source of financing or financing modality, including investment projects funded by a loan, a grant, and/or other means, such as debt securities, guarantees, risk participations, and/or equity investments. A project is defined in the project's legal agreement between the borrower/client and ADB.	All
Project-affected persons. Individuals, communities, or groups, which may be natural or legal entities, who are affected or likely to be affected by a project.	E&S Policy; ESSs 1, 4, 5, 6, 8, 9, 10
Project completion. The time when ADB prepares a project completion report/extended annual review report, or at the time of early divestiture or prepayment.	E&S Policy; ESSs 1, 5
Project cycle. ADB's phases of a project starting from concept design, preparation, appraisal, approval, and implementation, to completion and evaluation.	E&S Policy; ESSs 1, 2, 3, 4, 5, 7, 8, 9, 10
Project workers. Direct workers, contracted workers, primary supply workers, and community workers. Project workers also include government civil servants in specific circumstances described in ESS2 and ESS4.	E&S Policy; ESSs 1, 2, 4, 10
Protected area. A clearly defined geographical space, recognized, dedicated and managed through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values.	ESSs 5, 6, 8
Regenerative farming. Farming and grazing practices that may include traditional or indigenous practices that, among other benefits, reverse climate change by rebuilding soil organic matter and restoring degraded soil biodiversity, resulting in both carbon drawdown and improving the water cycle.	ESS3
Relative greenhouse gas (GHG) emissions. The change in GHG emissions resulting from a project compared to the baseline scenario, calculated as the difference between project GHG emissions (i.e., the sum of absolute GHG emissions and other consequential emissions) and baseline GHG emissions. A negative value of relative GHG emissions indicates that a project results in lower GHG emissions as compared to the baseline. A positive value indicates that a project results in higher GHG emissions as compared to the baseline.	ESS9
Replacement cost. The value that is sufficient to replace an asset, plus necessary transaction costs, including administrative charges, taxes, legal, land survey and title registration fees, transition costs, and any other applicable payments and provisions associated with asset or livelihood resource replacement.	ESS5
Reprisal. Retribution, intimidation, threats, harassment, punishment, judicial proceedings, or any other retaliatory acts against those who voice their opinion or opposition to a project, to a third party related to a project, or to a borrower/client.	E&S Policy; ESSs 2, 7, 10
Resilience. The ability of a system, including human social systems, and its component parts to anticipate, absorb, accommodate, or recover from the effects of a hazardous event in a timely and efficient manner, including through ensuring the preservation, restoration, or improvement of its essential basic structures and functions.	E&S Policy; ESSs 4, 9

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Terms	Reference
Security of tenure. Individuals or communities are resettled to a site they can legally occupy, where they are protected from the risk of eviction, and where the tenure rights provided to them are socially and culturally appropriate.	ESS5
Setting. Immediate and wider surrounding environment of a cultural heritage site that contributes to its distinctive character and ultimately to its level of significance. Aspects may include structures, land, and water, as well as ambient noise and air conditions. This may also be applicable to the approach or route to a cultural heritage site, as well as the view of and from a cultural heritage site.	ESS8
Sexual exploitation, abuse, and harassment (SEAH). For purposes of SEAH: Sexual exploitation means any actual or attempted abuse of a position of vulnerability, differential power, or trust for sexual purposes, including profiting monetarily, socially, or politically from the sexual abuse of another. Sexual abuse means actual or threatened physical intrusion of a sexual nature, whether by force or unequal or coercive conditions. Sexual harassment means any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment, or creates an intimidating, hostile, or offensive work environment. Sexual harassment can occur outside the workplace and outside working hours, including during official travel, social functions related to work, and online. Sexual harassment does not need to be between colleagues and can occur within society in general.	E&S Policy; ESSs 1, 2, 4, 10
Social security. The protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity, or loss of a breadwinner.	ESS2
Soil. The upper layer of earth with a complex combination of physical structures, chemical constituents, and biological activity. Soil, especially the upper layer, topsoil, is the foundation of life and healthy soil is vital to the well-being of ecosystems and communities on a local, regional, and global scale.	E&S Policy; ESSs 1, 3
Stakeholders. Individuals, communities, or groups who (i) are affected or likely to be affected by a project, and are referred to as “project-affected persons;” and/or (ii) may have an interest in a project, and are referred to as “other interested parties.” Project-affected persons and other interested parties may be natural or legal entities.	E&S Policy; ESSs 1, 4, 5, 6, 7, 8, 9, 10; Financing Modalities
Technically and financially feasible. Technically feasible means, based on whether the proposed measures and actions can be implemented with commercially available skills, equipment, and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity, and operational reliability. Financially feasible means, based on financial considerations, including relative magnitude of the incremental cost of adopting such measures and actions compared to a project’s investment, operating, and maintenance costs, and on whether this incremental cost could make a project nonviable for a borrower/client.	ESSs 1, 2, 3, 4, 9
Threatened species. All those species listed as Critically Endangered (CR), Endangered (EN), or Vulnerable (VU) on the International Union for Conservation of Nature Red List of Threatened Species.™	ESS6
Trafficking in persons. The recruitment, transportation, transfer, harboring, or receipt of persons by means of the threat, use of force, or other forms of coercion, abduction, fraud, deception, abuse of power, or of a position of vulnerability, or of the giving or receiving payments or benefits to achieve the consent of a person having control over another person, for the purposes of exploitation.	ESS2

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Terms	Reference
<p>Voluntary land acquisition and voluntary land use restriction. Refers to methods of obtaining land or land use that are not compulsory and involve (i) the land rights or claims to land or resources relinquished by individuals or communities without the provision of full compensation, voluntary donation of land for project purposes by willing donors, or other voluntary arrangements among consenting members of local communities; (ii) the voluntary transfer of use rights to legally owned land and resources through the lease of land and other assets or an agreement to grant use rights through an easement; and (iii) voluntary land use restriction for persons and communities consenting to relinquish or limit their right to the use of land and access to resources, such as under a community-based natural resource management project. Where voluntary transactions result in economic or physical displacement of persons, other than the right holder, who occupy, use, or claim rights to the land in question, such as customary allottees, sharecroppers, renters, lessees or persons without recognizable claims to land, such displacement is considered involuntary.</p>	ESS5
<p>Workers' organization. Organization constituted for the purpose of furthering and defending the interests of project workers.</p>	ESS2
<p>Workers' representatives. Entities or persons who are recognized as such under national law or practice, whether they are</p> <ul style="list-style-type: none"> (i) trade union representatives designated or elected by trade unions or by the members of such unions; or (ii) elected representatives, who are freely elected by the workers of the undertaking in accordance with the provisions of national laws or regulations or of collective agreements and whose functions do not include activities that are recognized as the exclusive prerogative of trade unions in the country concerned. 	ESS2

E&S Policy = Part II Environmental and Social Policy, ESS = Part III Environmental and Social Standards, Financing Modalities = Part IV Environmental and Social Requirements for Financing Modalities and Products, PIAL = Part V Prohibited Investment Activities List

Overview of the Environmental and Social Framework

1. The Environmental and Social Framework (ESF) comprises:
 - (i) Vision, which sets out the aspirations of the Asian Development Bank (ADB) regarding environmental and social (E&S) sustainability;
 - (ii) Environmental and Social Policy (E&S Policy), which sets out the mandatory responsibilities that apply to ADB;
 - (iii) Environmental and Social Standards (ESSs), which set out the mandatory requirements that apply to borrowers/clients;
 - (iv) Requirements for Financing Modalities and Products, which set out the mandatory responsibilities that apply to ADB and mandatory requirements that apply to borrowers/clients for different financing modalities and products; and
 - (v) Prohibited Investment Activities List.

2. The 10 Environmental and Social Standards, which establish the performance standards that borrowers/clients and projects will meet throughout a project cycle, are as follows:
 - (i) Environmental and Social Standard 1 (ESS1): Assessment and Management of Environmental and Social Risks and Impacts;
 - (ii) Environmental and Social Standard 2 (ESS2): Labor and Working Conditions;
 - (iii) Environmental and Social Standard 3 (ESS3): Resource Conservation and Pollution Prevention;
 - (iv) Environmental and Social Standard 4 (ESS4): Health, Safety, and Security;
 - (v) Environmental and Social Standard 5 (ESS5): Land Acquisition and Land Use Restriction;
 - (vi) Environmental and Social Standard 6 (ESS6): Biodiversity Conservation and Sustainable Natural Resources Management;
 - (vii) Environmental and Social Standard 7 (ESS7): Indigenous Peoples;
 - (viii) Environmental and Social Standard 8 (ESS8): Cultural Heritage;
 - (ix) Environmental and Social Standard 9 (ESS9): Climate Change; and
 - (x) Environmental and Social Standard 10 (ESS10): Stakeholder Engagement and Information Disclosure.



PART I
Vision

Vision

1. The vision sets out the aspirations of the Asian Development Bank (ADB) regarding environmental and social (E&S) sustainability. ADB's Strategy 2030 sets out its vision to sustain efforts to eradicate extreme poverty and to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific.¹ ADB will support the global agenda of sustainable infrastructure development as a source of global growth and social and economic development and believes that the achievement of international commitments, including the Sustainable Development Goals and related Financing for Development agenda, the Paris Agreement on **climate change**, the Sendai Framework for Disaster Risk Reduction, and the Kunming-Montreal Global Biodiversity Framework will depend critically on the success of the region in matching the vision.

2. ADB affirms that E&S sustainability is a cornerstone of inclusive and sustainable economic growth and poverty reduction in Asia and the Pacific and seeks to promote sustainability of project outcomes by protecting the environment and present and future human generations from projects' potential adverse impacts, while also recognizing the development priorities and constraints of borrowing countries. ADB is also committed to upholding fiduciary standards that enhance the E&S sustainability of its projects.

3. Inclusive social development is the focus of all ADB's interventions. ADB's corporate policies and strategies recognize significant diversity across its developing member countries (DMCs), and apply differentiated approaches to various groups of countries, as necessary. ADB will prioritize financial and technical support for the poorest and most vulnerable countries in Asia and the Pacific, including small island developing states (SIDS) and countries in fragile and conflict-affected situations (FCAS). Under ADB's fragile and conflict-affected situations and small island developing states approach, ADB undertakes to tailor responses to the needs of the transient challenges of the FCAS and the more permanent vulnerabilities of the SIDS.² Recognizing that management of **E&S risks and impacts** of a project is impacted by the project context, ADB is committed to understanding the context and constraints in which a project is being developed and is to be implemented, and to working with its borrowers/clients to develop appropriate measures that are proportionate and tailored to address the specific E&S risks and impacts arising from a project.

4. Strategy 2030 also emphasizes human capital development, social inclusion, and gender equality in ADB's operations and activities to ensure the benefits of social and economic growth are extended to all. ADB's operations support the realization of human rights expressed in the Universal Declaration of Human Rights, and ADB will continue, in a manner consistent with its Agreement Establishing the Asian Development Bank (the Charter), to support its DMCs as they strive to achieve their human rights commitments under the relevant **international instruments**.³ In this regard, ADB will promote nondiscrimination by working with its DMCs to create enabling environments that provide equitable access to services and benefits and permit meaningful participation of all, including **disadvantaged or vulnerable** people. To ensure project design and implementation maximize social benefits and inclusion while minimizing adverse social impacts, for each project that ADB supports, ADB undertakes poverty and social analyses and gender analysis to identify and consider potential social risks and issues. This is reinforced through ADB's Social Protection Strategy (2001), under which ADB helps the borrower ensure vulnerable groups are not negatively affected by projects financed or administered by ADB, and take necessary and appropriate steps so that ADB-financed projects comply with the host country's labor legislation as well as with the international core labor standards, which cover fundamental principles and the rights at work.

¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*.

² ADB. 2021. *Fragile and Conflict-Affected Situations and Small Island Developing States Approach*.

³ ADB. 1966. *Agreement Establishing the Asian Development Bank*.

5. Further, ADB's Policy on Gender and Development (1998) requires mainstreaming of gender considerations into all ADB activities, including macroeconomic and sector work, and lending and technical assistance operations. Specifically, ADB has facilitated gender analysis of proposed projects and consideration of gender issues at all appropriate stages of the project cycle. ADB is a signatory to the joint statement on continuous advancement of standards to prevent **sexual exploitation, abuse, and harassment (SEAH)**, whereby along with other international financial institutions, it reaffirmed its commitment to prevent SEAH. In line with this, ADB has a zero tolerance to SEAH.

6. ADB is committed to ensuring its borrowers/clients maintain open dialogue; **meaningful consultation**; clear, timely, and appropriate disclosure of project information; and a responsive grievance mechanism. Further, if any potential development opportunities, particularly for the host countries and local communities, are identified in connection with a project, ADB will promote and discuss with a borrower/client the feasibility of incorporating such opportunities into project design and implementation and ensuring equitable sharing of project benefits. To encourage inclusive development, ADB is also engaged in policy dialogues with DMCs to introduce climate and gender indicators to support climate- and gender-responsive budgeting at all levels of public financial management cycle. ADB does not tolerate any form of **reprisals** in ADB-financed projects and will seek to take all steps within the limits of its ability to work with appropriate parties to address them, including requiring its borrowers/clients to provide protection to project-affected persons who raise concerns or grievances in or about such projects.

7. Strategy 2030 sets out ADB's focus on tackling **climate change**, building climate and disaster **resilience**, and enhancing environmental sustainability. In 2023, ADB approved its Climate Change Action Plan, which sets out prioritized intervention areas and enhanced actions rooted in ADB's commitment to provide support (i) aligned with borrower/client priorities, capacities, **climate change adaptation** needs, and **climate change mitigation** potential, and (ii) guided by the principles of equitable and socially inclusive transformation.⁴ The Revised Disaster and Emergency Assistance Policy (2021) sets out ADB's approach to enhance the efficiency and impact of support to DMCs to strengthen resilience to disasters and emergencies. ADB's Energy Policy (2021) promotes low-carbon transition while (i) supporting universal access to reliable, affordable, and clean energy, which is essential to inclusive social and economic development, and (ii) ensuring a just transition. ADB is one of the founding members of the International Financial Institutions Technical Working Group, which aims for a harmonized approach to **greenhouse gas (GHG)** accounting across international financial institutions. In 2021, ADB committed to full alignment of its operations with the goals of the Paris Agreement. ADB encourages DMCs to take a holistic approach in tackling climate change challenges and promotes the whole economy transformation toward low-GHG emissions and climate-resilience. ADB is also mindful of the principle of common but differentiated responsibilities set out for the Parties to the Paris Agreement, which allows countries to reflect their unique circumstances. ADB provides upstream support to DMCs through (i) the development of policies, plans, and strategies including the implementation and monitoring of nationally determined contributions under the Paris Agreement; (ii) the development of long-term low GHG emissions and climate-resilient development strategies; and (iii) mobilization of finance for their implementation. Recognizing that the transformation may impact individuals, communities, and regions, ADB also supports enabling the just transition of its DMCs, employing economy-wide and multi-sector approaches to build the capacity of DMCs. At the project level, ADB has institutionalized a climate risk management framework and tools to guide assessment and management of climate risks.

8. ADB is committed to global environmental sustainability. It is a cosignatory to the Multilateral Development Bank Joint Statement on Nature, People and Planet (2021), and has committed to mainstreaming nature into its policies, analyses, assessments, advice, investments, and operations. In accordance with this commitment, ADB will assist its DMCs in improving their environmental management, and promoting nature positive investments, including the conservation and restoration of **living natural resources, biodiversity, and ecosystems**, nature-based solutions, and green infrastructure. ADB also recognizes the need to stimulate green business in its DMCs' economies, especially those based on **circular economy approach**, sustainable consumption and production, green supply chains, and green financial products.

⁴ ADB. 2023. *Climate Change Action Plan, 2023–2030*.

9. To optimize its development impact, ADB provides its own financing while also catalyzing funds from other sources, and provides knowledge that fits local conditions and situations and replicates **good international practice (GIP)**. This effort requires working closely with its DMCs to identify strategic interventions to address national development priorities, and to strengthen their governance and institutional framework and implementation capacity necessary for achieving such priorities, in a manner that is sensitive to country-specific contexts and challenges. ADB continuously explores policy dialogues with its DMCs and seeks opportunities to integrate in the project the best available knowledge with financing and institutional capacity development support. ADB is committed to supporting borrowers/clients to strengthen and, if appropriate, to use their E&S systems to achieve development outcomes that are materially consistent with the objectives of the environmental and social framework (ESF).

10. As a convener of partnerships, ADB will maintain dialogue and collaboration with diverse partners and **stakeholders**, including international financial institutions, bilateral partners, **civil society organizations** and philanthropic organizations, and the private sector to enhance the complementarity of respective operations to support ADB's DMCs. ADB also recognizes the importance of early stakeholder engagement and working with local beneficiaries and communities in the design, implementation, and monitoring of ADB operations, and is committed to working with civil society organizations and citizen networks to strengthen transparency and inclusivity in its operations.

11. ADB, through the E&S Policy and the Environmental and Social Standards (ESSs), will translate the institutional aspirations set out in the Vision into project-level mandatory requirements to be applied within the parameters of a project and within the context of its mandate as set out in its Charter, and seeks to

- (i) Avoid and, where avoidance is not possible, minimize, mitigate, restore and/or compensate for adverse impacts of ADB projects on people and the environment, taking into consideration **climate change** risks;
- (ii) Help borrowers/clients strengthen their E&S systems and improve their capacity to manage **E&S risks and impacts**;
- (iii) Promote fair and nondiscriminatory labor and working conditions, and protect **project worker** and community health, safety, and security, including from any forms of **SEAH**;
- (iv) Support comprehensive and integrated risk and impact assessment and management processes, that also considers specific project and country contexts and implementation needs, including for FCAS, and SIDS;
- (v) Support the sustainable use of resources, and avoid, minimize, and manage E&S risks and impacts of **pollution** and wastes;
- (vi) Avoid, or where avoidance is not possible, minimize or mitigate **economic displacement** and **physical displacement** or disruption of **livelihoods** due to **land acquisition and land use restriction** and improve or at least restore the standards of living of **project-affected persons**;
- (vii) Promote conservation of **biodiversity** and **ecological functions**, and sustainable management of **living natural resources** and conservation of **cultural heritage**;
- (viii) Promote nondiscrimination among project-affected persons and give particular consideration to **Indigenous Peoples** and those who are **disadvantaged or vulnerable**, taking into account gender-related risks, and promote equitable sharing of development benefits and opportunities resulting from a project; and
- (ix) Strengthen **stakeholder** engagement through **meaningful consultation** and clear, timely and appropriate disclosure of relevant project information, and prevent threats of **reprisal** against project-affected persons through effective grievance mechanisms.

12. While the ESF alone will not guarantee sustainable development outcomes, its proper application and implementation by ADB's borrowers and clients will strengthen their governance and institutional frameworks and capacity to manage **E&S risks and impacts** sustainably and resiliently. This will contribute to meeting national and international commitments and goals for inclusive green economic growth.

PART II
Environmental and Social Policy

Environmental and Social Policy

I. PURPOSE

1. The purpose of the Environmental and Social Policy (E&S Policy) is to set out environmental and social (E&S) responsibilities that are mandatory upon the Asian Development Bank (ADB) in relation to projects financed or administered by ADB.

II. OBJECTIVES

2. ADB is committed to supporting borrowers/clients in the development and implementation of projects that are environmentally and socially sustainable and to enhancing the capacity of borrowers/clients to use their E&S systems to assess and manage the environmental and social (E&S) risks and impacts of such projects. To help borrowers/clients achieve the desired outcomes of projects, ADB requires borrowers/clients to apply and implement ten Environmental and Social Standards (ESSs), as set out in para. 6, proportionate to the nature and scale of a project's E&S risks and impacts. These ESSs are collectively designed to help borrowers/clients to apply the **mitigation hierarchy** and improve their E&S performance. ADB staff, through review and monitoring, will assist borrowers/clients to apply the requirements of the ESSs throughout a **project cycle**, in accordance with the E&S Policy.

3. To carry out the E&S Policy, ADB will:

- (a) determine a project's E&S risk classification;
- (b) review the E&S assessment undertaken by a borrower/client of a proposed project, proportionate to the nature and scale of the potential **E&S risks and impacts** of the project;
- (c) assist borrowers/clients in identifying **E&S assessment and management documents** for the potential E&S risks and impacts of a project;
- (d) support borrowers/clients with the strengthening of their E&S systems and encourage improved E&S performance, in ways that recognize and enhance borrowers'/clients' capacity;
- (e) agree with borrowers/clients on the conditions under which ADB will consider providing financing to a project, which will be set out in an environmental and social commitment plan/environmental and social action plan (ESCP/ESAP);
- (f) support borrowers/clients to carry out early and continuing **meaningful consultation** with relevant **stakeholders** and to provide project-level grievance mechanisms, consistent with the ESSs; and
- (g) review and monitor the E&S performance of a project throughout the **project cycle** in accordance with the ESSs and the ESCP/ESAP.

III. SCOPE OF APPLICATION

4. The requirements of the E&S Policy and the ESSs apply, to the extent such ESSs are determined to be applicable, to ADB-financed and/or ADB-administered sovereign and nonsovereign projects and their components, regardless of the source of financing or financing modalities and products, including investment projects funded by a loan, and/or a grant, and/or other means, such as equity and/or guarantees, hereafter broadly referred to as projects. A project's legal agreement describes a project to which the E&S requirements apply.

5. The approach for the assessment and management of E&S risks and impacts for projects across the different financing modalities and products offered by ADB is explained in paras. 66–68 of the E&S Policy and in Part IV of the Environmental and Social Framework (ESF)..
6. The ESSs are:
- (i) Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
 - (ii) Environmental and Social Standard 2: Labor and Working Conditions;
 - (iii) Environmental and Social Standard 3: Resource Conservation and Pollution Prevention;
 - (iv) Environmental and Social Standard 4: Health, Safety and Security;
 - (v) Environmental and Social Standard 5: Land Acquisition and Land Use Restriction;
 - (vi) Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Natural Resources Management;
 - (vii) Environmental and Social Standard 7: Indigenous Peoples;
 - (viii) Environmental and Social Standard 8: Cultural Heritage;
 - (ix) Environmental and Social Standard 9: Climate Change; and
 - (x) Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure.
7. The E&S Policy and the ESSs do not apply to activities that are not part of a project, nor to activities that a borrower/client implements following **project completion** without financing support from ADB, with the exception of **associated facilities** as set out in paras. 16–17 of the E&S Policy and paras. 15–18 of ESS1.
8. The application of the E&S Policy and the ESSs to **associated facilities**, existing facilities, and those projects or components cofinanced with other parties are described in paras. 16–21.

IV. ADB RESPONSIBILITIES

9. ADB will determine a project E&S risk classification as early as possible, considering the relevant issues set out in paras. 23 and 24, including the potential **E&S risks and impacts** described in the ESSs, and the views of the borrower/client.
10. Based on the E&S risk classification, ADB will determine the scale and extent of the E&S assessment to be undertaken by a borrower/client. ADB will require the borrower/client to conduct E&S assessment in accordance with ESS1 and to prepare and implement a project so that it meets the requirements of the ESSs applicable to the project.
11. ADB will work with a borrower/client so that all E&S assessment requirements under the relevant ESSs will be identified and undertaken to the extent possible to the satisfaction of ADB, to enhance the E&S readiness of the project.
12. ADB will agree with a borrower/client on an ESCP/ESAP for a project as detailed in paras. 38–44. ADB will require the borrower/client to implement all measures and actions set out in the ESCP/ESAP and conduct monitoring and reporting on the E&S performance of a project against all relevant ESSs as set out in the ESCP/ESAP.
13. ADB will only finance projects that are expected to meet the requirements of the ESSs in a manner and within a time frame acceptable to ADB, as set out in the ESCP/ESAP. In addition, ADB will not finance activities on the Prohibited Investment Activities List. ADB will not support projects that are found to be noncompliant with the **host country's applicable laws**, including those laws implementing **host country** obligations under **international instruments**.
14. Where requirements of the **host country's applicable laws** differ from ESS requirements, ADB will require a borrower/client to achieve or implement whichever is more stringent or protective for the **project-affected persons** and/or the environment. ADB will also require the borrower/client to apply the requirements of the relevant **good international practice (GIP)** and other internationally recognized standards such as the World Bank Group's **Environmental Health and Safety Guidelines (EHSGs)**, as required under the relevant ESSs.

15. Where the borrower/client proposes less stringent standards than those provided in applicable **GIP** or **EHSGs**, as required under the relevant ESSs, ADB will require the borrower/client to provide a detailed assessment and justification for the proposed less stringent standards. ADB will work with the borrower/client and review the justification, including project and country context, and will agree to the proposed less stringent standards if the borrower/client will demonstrate, to the satisfaction of ADB, that the choice of any less stringent performance level is consistent with the objectives of the ESSs and the applicable GIP or EHSGs, and is unlikely to result in significant environmental or social harm.

A. Associated Facilities

16. ADB will require the application of the ESSs to **associated facilities** to the extent a borrower/client has control or influence over such associated facilities as set out in ESS1. For the purpose of the E&S Policy and the ESSs, the term associated facilities means new facilities or activities that are not funded as part of a project and, in the judgment of ADB, are (i) directly and significantly related to the project; (ii) developed, or contemporaneously planned to be developed, with the project; and (iii) necessary for the project to be viable and would not have been developed if the project did not exist. This determination on the associated facilities will be made by ADB on a case-by-case basis based on the project circumstances and context.

17. Where ADB determines that the requirements of the common approach under para. 20 or the requirements of other multilateral or bilateral agencies or organizations are likely to address the E&S risks and impacts of the **associated facilities** to achieve E&S outcomes through meeting the objectives materially consistent with the ESSs, ADB may agree with a borrower/client to apply such requirements, instead of the ESSs, to the associated facilities. ADB will require the borrower/client to demonstrate the extent to which it cannot exercise control or influence over the **associated facilities**, providing details of the considerations for such a determination.

18. When a new facility or activity that is related to the project does not meet the conditions in para. 16, ADB will require the borrower/client to undertake a high-level E&S risk assessment of such a new facility or activity to the extent possible based on the information available to the borrower/client at the time of project preparation, documenting the scope of potential issues and future management issues to be determined.

B. Existing Facilities

19. For a project that includes existing facilities or activities as a component, ADB will require a borrower/client to apply the requirements set out in ESS1.

C. Common Approach

20. Where ADB is **cofinancing** a project with other multilateral or bilateral agencies or organizations, and where appropriate, ADB will cooperate with such cofinancier(s) and a borrower/client to agree on a common approach in the E&S assessment, development, and implementation of a project. A common approach will be acceptable to ADB, provided that such an approach is likely to address the E&S risks and impacts of the project to achieve E&S outcomes through meeting the objectives materially consistent with the ESSs. The common approach will apply the requirements among the cofinancier(s) that are most stringent or protective of the **project-affected persons** and/or the environment, as appropriate. In determining whether the common approach is acceptable, ADB will consider the policies, standards, and implementation procedures of the multilateral or bilateral agencies or organizations, as applicable. ADB, the cofinancier(s), and the borrower/client will agree on the E&S arrangements, including the applicable E&S requirements and the roles and responsibilities of the respective parties under the common approach as early as possible during project preparation and no later than at the time of project appraisal or final credit approval. These arrangements will be reflected in the ESCP/ESAP and the E&S performance will be measured against the common approach. A common approach will apply to the **associated facilities** financed by the same cofinancier(s) if agreed by ADB and the borrower/client. Opportunities for the application of a common approach may involve wider collaborative efforts and agreements at the corporate level between ADB and other multilateral or bilateral agencies or organizations, as appropriate.

21. Where ADB is financing a project for which certain E&S assessments have already been undertaken and **E&S assessment and management documents** have been prepared as required under the common approach, ADB may agree with the borrower/client to rely on such E&S assessment and management documents prepared using the agreed common approach. Where certain E&S assessments have already been undertaken and E&S assessment and management documents have been prepared in compliance with the requirements of other multilateral or bilateral agencies or organizations but where there is no agreed common approach, ADB may agree with the borrower/client to rely on such E&S assessment and management documents only if such documents meet the requirements of the relevant ESSs.

D. Environmental and Social Risk Classification

22. ADB will assign projects to one of four E&S risk classifications: *High Risk*, *Substantial Risk*, *Moderate Risk*, and *Low Risk*, as described in para. 25.

23. In determining the appropriate E&S risk classification, ADB will consider relevant issues, in an integrated manner, including:

- (i) the type, location, sensitivity, and scale of a project, such as the physical considerations of the project and types of infrastructure or activities;
- (ii) the nature and scale of the potential **E&S risks and impacts** of a project as described in detail in ESS2–ESS10, such as impacts on greenfield or brownfield sites, **biodiversity**, **land acquisition and land use restriction** activities, presence of **Indigenous Peoples**, degree of disadvantage or vulnerability of **project-affected persons**, volume of emissions or wastes to be managed and disposed, effects of **climate change**, and possible mitigation and management measures considering the **mitigation hierarchy**;
- (iii) the institutional capacity, commitment, past experience and track record of a borrower/client, as well as of the agency or entity responsible for implementing a project, to manage the potential **E&S risks and impacts** in a manner consistent with the ESSs; and
- (iv) the availability, cost, and nature of the technologies or methodologies proposed for mitigation and management measures, and the availability of relevant data to implement and monitor the ESSs.

24. The E&S risk classification will also consider risks that are relevant in the context in which a project is being developed or to be implemented, which may include:

- (i) the **host country's** legal, governance, and institutional framework;
- (ii) the host country's social conflict or human security concerns which may be aggravated by a project's environmental or social impacts or associated mitigation measures;
- (iii) whether the host country or certain of its geographical areas are undergoing or emerging from fragile and conflict-affected situations with or without activities of security forces;
- (iv) whether the host country is a small island developing state;
- (v) whether the host country has significant financial, institutional, and/or capacity constraints;
- (vi) ecosystem vulnerability, climate change vulnerability, economic shocks, natural hazards, or presence of other factors outside the control of a project that could have a significant impact on the E&S performance;
- (vii) sector- or industry-specific risks;
- (viii) digital risks for which the host country may have limited legal and regulatory framework, institutional capacity and understanding, that may have potential for significant E&S impact;
- (ix) information on population groups or individuals who may be considered at risk, marginalized, disadvantaged or vulnerable;
- (x) civic space and freedoms of expression, association, and assembly relevant to the implementation of ESS10;
- (xi) factors that will likely cause noncompliance with the Prohibited Investment Activities List; and
- (xii) information relevant to host country obligations under applicable international instruments.

25. Based on the factors in paras. 23 and 24, ADB will classify each project as follows:

- (i) **High Risk.** A proposed project is classified as *High Risk* if it is likely to have significant adverse impacts that are irreversible, diverse, or unprecedented, after considering the following factors, as applicable, in an integrated manner, together with relevant contextual factors.
 - (a) The project is likely to generate a wide range of significant adverse risks and impacts on human populations or the environment. This could be because of the complex nature or scale of the project, and/or the sensitivity of the location(s) of the project. This would consider whether the potential **E&S risks and impacts** associated with the project have the majority or all of the following characteristics:
 - (1) long term, permanent, and/or irreversible impacts that are impossible to avoid entirely due to the nature of the project;
 - (2) high in magnitude and/or in spatial extent;
 - (3) significant adverse **cumulative impacts**;
 - (4) significant adverse transboundary impacts; and
 - (5) a high probability of significant adverse impacts to human health and/or the environment.
 - (b) The area likely to be affected is of high value and sensitivity, and includes lands or rights of **Indigenous Peoples** and other vulnerable minorities, intensive or complex **land acquisition and land use restriction**, impacts on **cultural heritage**, or densely populated urban areas.
 - (c) Some of the significant adverse E&S risks and impacts of the project cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation.
- (ii) **Substantial Risk.** A proposed project is classified as *Substantial Risk* after considering the following factors, as applicable, in an integrated manner, together with relevant contextual factors:
 - (a) The project may not be as complex as a *High Risk* project. The nature and scale of its E&S risks and impacts may be smaller and the location may not be in such a highly sensitive area, but some adverse risks and impacts may be significant. This would consider whether the potential E&S risks and impacts have the majority or all of the following characteristics:
 - (1) they are mostly temporary, predictable and/or reversible, and the nature of the project does not preclude the possibility of avoiding or reversing them;
 - (2) there are concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to a limited degree of social conflict, harm, or risks to human security;
 - (3) they are medium in magnitude and/or in spatial extent;
 - (4) the potential for cumulative and/or transboundary impacts may exist, but they are less severe and more readily avoided or mitigated than for High Risk projects; and
 - (5) there is medium to low probability of significant adverse impacts to human health and/or the environment, and there are known and reliable mechanisms available to prevent or minimize such incidents.
 - (b) The effects of the project on areas of high value or sensitivity are expected to be lower than *High Risk* projects.
 - (c) Mitigation and/or compensatory measures may be designed more readily and be more reliable than those of *High Risk* projects.

- (iii) **Moderate Risk.** A proposed project is classified as *Moderate Risk* after considering the following factors, as applicable, in an integrated manner, together with relevant contextual factors:
 - (a) The potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. As such, the potential E&S risks and impacts are likely to have the following characteristics:
 - (1) predictable and expected to be temporary and/or reversible;
 - (2) low in magnitude;
 - (3) site-specific, without likelihood of impacts beyond the actual footprint of a project; and
 - (4) low probability of significant adverse impacts to human health and/or the environment.
 - (b) The project's E&S risks and impacts can be easily mitigated in a predictable manner.
- (iv) **Low Risk.** A proposed project is classified as *Low Risk* if its potential adverse risks to and impact on human populations and/or the environment are likely to be minimal or negligible.

26. ADB will include the basis for a project's E&S risk classification in the relevant project document and disclose it on ADB's website. ADB will review the E&S risk classification assigned to the project on a regular basis throughout the concept design, preparation, and implementation phases of the **project cycle**, and will change the E&S risk classification where necessary to ensure that it continues to be appropriate. Any change to the E&S risk classification will be disclosed on ADB's website.

27. ADB will allocate resources for corporate oversight, guidance, review, and monitoring, and as necessary, capacity support, to a project proportionate to its E&S risk classification.

E. Environmental and Social Risk Classification for Financial Intermediaries

28. Where ADB provides financing to a **financial intermediary (FI)**, ADB will classify all activities and transactions involving FIs or delivery mechanisms involving financial intermediation as FI. ADB will then classify each FI into the subclassifications of FI-1, FI-2, and FI-3 to reflect the E&S risk profile of the existing or proposed portfolio of activities and transactions supported with ADB's financing. In determining the subclassification, ADB considers the type, size, and sector exposure of the FI's portfolio to be financed by ADB, track record, capacity, and commitment to manage potential **E&S risks and impacts**. ADB will also consider risks relevant in the context in which an FI operates or directs funding, or activities and transactions supported by ADB financing will be developed and implemented, including those contextual risks described in para. 24. The responsibilities of paras. 26 and 27 also apply for FI classification.

29. The subclassifications are as follows:

- (i) FI-1: When an FI's existing or proposed portfolio to be financed by ADB includes, or is expected to include, financial exposure to activities and transactions with potential significant adverse **E&S risks and impacts** that are diverse, irreversible, or unprecedented. These activities and transactions would be considered *High Risk* if financed directly by ADB as a project or a subproject.
- (ii) FI-2: When an FI's existing or proposed portfolio to be financed by ADB includes, or is expected to include, financial exposure to activities and transactions with potential limited adverse E&S risks and impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes, or is expected to include, a very limited number of activities and transactions with potential significant adverse E&S risks or impacts that are diverse, irreversible, or unprecedented. These activities and transactions would be considered *Substantial and/or Moderate Risk* if financed directly by ADB as a project or a subproject.
- (iii) FI-3: When an FI's existing or proposed portfolio to be financed by ADB includes, or is expected to include, financial exposure to activities and transactions that predominantly have minimal or no adverse environmental or social impacts. These activities and transactions would be considered *Low Risk* if financed directly by ADB as a project or a subproject.

30. For FIs with portfolio and/or activities and transactions that present high to substantial E&S risks (part or all of FI-1 and FI-2 portfolio), ADB will require that such FIs assess and require higher-risk activities and transactions they support to apply the requirements of the relevant ESSs. These higher risk activities and transactions are referred to as **higher risk transactions**.

F. Environmental and Social Assessment Review

31. ADB will review the E&S assessment process undertaken by a borrower/client in accordance with ESS1. ADB will provide appropriate guidance to the borrower/client on ways in which **E&S risks and impacts** and other risks relevant in the context of a project that are considered under para. 24 may be addressed in the design, assessment, development, and implementation of the project.

32. ADB's review of a borrower's/client's E&S assessment will be proportionate to the nature and scope of **E&S risks and impacts**, with due regard to the **mitigation hierarchy** and considering the **host country's applicable laws** and the institutional capacities of the borrower/client. ADB will also work with the borrower/client to identify areas for strengthening their capacity to develop and implement a project in accordance with the ESSs.

33. ADB will consider in its review of a borrower's/client's E&S assessment all relevant **E&S risks and impacts** of a project as described in detail in ESS2–ESS10, including but not limited to

- (i) environmental risks and impacts such as: **pollution to air**, water, and **soil**; to health, safety and security risks of **project workers** and communities; threats to the protection, conservation, and maintenance of **natural and critical habitats** and **biodiversity, ecosystem services, living natural resources** and the maintenance of **environmental flows**; risks to **cultural heritage**; and **climate change mitigation and adaptation**; and
- (ii) social risks and impacts such as: any impacts from **land acquisition and land use restriction**; adverse impacts on communities of **Indigenous Peoples**; risks associated with labor, working conditions and rights of project workers; the risk where project impacts fall disproportionately on the **disadvantaged or vulnerable** people; and gender issues and other gender-related risks, including potential risks of **sexual exploitation, abuse, and harassment**, and **digital risks**.

34. ADB's review of the E&S assessment process undertaken by a borrower/client will include, as relevant

- (i) reviewing information provided by the borrower/client relating to the **E&S risks and impacts** of a project, including from pre-feasibility studies, scoping studies, national E&S assessment documents, licenses, and permits. ADB may also request additional relevant information where there are gaps that prevent ADB from completing its review. ADB places the responsibility on a borrower/client to ensure that all relevant information is provided to ADB so that ADB can fulfill its responsibility to review a borrower's/client's E&S assessment in accordance with the E&S Policy; and
- (ii) considering and integrating into the E&S assessment process, as relevant, additional information obtained by ADB through its other tools and instruments such as poverty and social analysis, gender analysis and gender assessment, digital risk assessment, fragility and resilience assessments, disaster risk assessment, climate risk assessment, and/or Paris Agreement alignment assessment.

35. ADB recognizes that a borrower/client may have different levels of information regarding the **E&S risks and impacts** available at the time ADB carries out its review. In such circumstances, ADB will assess the E&S risks and impacts of a proposed project based on the information that is available to ADB, together with an assessment of (i) the E&S risks and impacts inherent to the type of project and the specific context in which the project will be developed and implemented, and (ii) the capacity and commitment of the borrower/client to develop and implement the project in accordance with the ESSs. ADB will assess the significance of the gaps in information, and the potential risk this may present to achieving the objectives of the ESSs. ADB will reflect this assessment in the relevant project document at the time the proposed financing is submitted for approval by ADB.

36. Where ADB is approached to provide financing for a project that is under construction, or where a project has already received national permits or licenses or other forms of clearance for construction or operations, including the approval of local E&S impact assessments, or otherwise completed or partially completed E&S assessments prior to ADB's involvement in a project, ADB's review will include a borrower's/client's E&S audit, which is required under ESS1 for existing facilities or activities.

37. Depending on the nature and scale of **E&S risks and impacts**, ADB will determine, considering the host country's legal and institutional framework, whether a borrower/client will be required to retain external specialists to assist in the assessment of E&S risks and impacts including the assessment process described in ESS1 and any other assessments required under ESS2–ESS10.

G. Environmental and Social Commitment Plan and Environmental and Social Action Plan

38. ADB will assist a borrower/client in identifying appropriate **E&S assessment and management documents** for the potential **E&S risks and impacts** of a project, as identified through ADB's review of the borrower's/client's E&S assessment under ESS1. ADB and the borrower/client will agree on an adaptive management process in which measures and actions necessary to meet the requirements of the ESSs will be identified and implemented over a specified time frame through an ESCP/ESAP. The ESCP/ESAP may allow certain components of the E&S assessment for the project to be carried out during project implementation. However, ADB will only allow such deferral to be included in the ESCP/ESAP, if the level of E&S risks and impacts of the activity to be assessed during project implementation is not likely to change the E&S conclusions for the project, and does not compromise the overall E&S readiness of a project. To determine the appropriate manner and acceptable time frame for the borrower/client to implement the measures to comply with the ESSs, ADB will consider the nature and scale of the potential E&S risks and impacts of a project based on the findings of the E&S assessment and stakeholder engagement; the timing for the development and implementation of the project; the capacity of the borrower/client and other entities, if any, involved in the development and implementation of the project as assessed by ADB; and the timing of specific measures and actions to be put in place or taken by the borrower/client to address such risks and impacts.

39. The ESCP will include those mitigation and performance improvement measures and actions that are (i) forward-looking measures set out in the **E&S assessment and management documents**, and/or (ii) future actions to be undertaken during project implementation in accordance with the guidance provided in the E&S assessment and management documents. The ESAP will include those mitigation and performance improvement measures and actions that are required to bring a project into compliance with the relevant ESSs, such as supplementing the existing E&S systems.

40. If ADB concludes that a borrower/client has inadequate technical capacity to carry out the E&S assessment process, ADB will require the borrower/client to include in the ESCP/ESAP, a description of trainings to address the specific measures and actions required to support effective and continuous E&S performance. The ESCP/ESAP will also include the details of the human and financial resources associated with such trainings. When a project uses the borrower's E&S systems or common approach, the measures and actions and the specific E&S arrangements will be set out in the ESCP/ESAP.

41. ADB will require the borrower/client to specify a completion date for each action in the ESCP/ESAP, to implement the measures and actions identified in the ESCP/ESAP in accordance with the specified time frame and to review the status of the implementation of the ESCP/ESAP as part of its monitoring and reporting.

42. The ESCP/ESAP will also include the details of the human and financial resources associated with implementation and monitoring of any measures and actions set out in the ESCP/ESAP. ADB will require from the borrower/client sufficient high-level commitment to provide human and financial resources on an ongoing basis to implement the ESCP/ESAP as well as for the monitoring and reporting on the ESCP/ESAP requirements. The legal agreement for a project will include obligations of the borrower/client to implement the ESCP/ESAP.

43. Where the borrower/client is required under the ESCP/ESAP to take specific measures and actions during project implementation, ADB will require the borrower/client to commit that it will not carry out activities in relation to a project that may cause material adverse **E&S risks and impacts**, until the relevant measures and actions have been completed in accordance with the ESCP/ESAP, including satisfying applicable requirements on consultation and disclosure.

44. If there are changes to a project that result in additional **E&S risks and impacts**, particularly where these will impact **project-affected persons**, ADB will require the borrower/client to provide information on such risks and impacts and will undertake **meaningful consultation** with **project-affected persons** in accordance with ESS10. ADB and a borrower/client will agree on the updates to the ESCP/ESAP, as necessary, setting out any additional measures and actions to be implemented by the borrower/client.

H. Strengthening and Use of Borrower's Environmental and Social Systems

45. ADB may support the use of the borrower's E&S systems in the assessment, development, and implementation of a project, provided this is likely to address the **E&S risks and impacts** of the project, to achieve E&S outcomes through meeting the objectives materially consistent with the ESSs. The use of all, or part, of the borrower's E&S systems will be agreed between ADB and the borrower, following completion of the assessment as set out in para. 47. Any decision to use all, or parts, of the borrower's E&S systems will not relieve ADB of its responsibilities set out in the E&S Policy, and ADB's Accountability Mechanism Policy (2012) will continue to apply.

46. The borrower's E&S systems will include those aspects of the **host country's** policy, legal, governance, and institutional framework, including its national, subnational, or sectoral implementing institutions and the **host country's applicable laws**, and implementation capacity, which are relevant to the **E&S risks and impacts** of a project. Where there are inconsistencies or lack of clarity within the borrower's E&S systems as to competent government authorities or their jurisdiction, these will be identified and discussed with the borrower. The aspects of the borrower's existing E&S systems that are relevant will vary from project to project, depending on such factors as the type, scale, location, and potential **E&S risks and impacts** of a project and the role and authority of different institutions.

47. Where ADB and the borrower propose to use all, or part, of the borrower's E&S systems, ADB, in consultation with the borrower, will undertake an assessment to determine whether and to what extent the borrower's E&S systems as described in para. 46, can be used to address the **E&S risks and impacts** of the project to achieve the E&S outcomes through meeting the objectives materially consistent with the ESSs. A final decision on the use of all, or part, of the borrower's E&S systems for a project will be made by ADB's Board of Directors.

48. ADB will engage with **stakeholders** so that their views can inform the assessment to be carried out under para. 47. In conducting the assessment, ADB may consider recent studies, reviews, and other assessments conducted by ADB including upstream assessments, which may be at the national, subnational, or sector level, of a borrower's existing policy, legal, governance and institutional framework for addressing **E&S risks and impacts**, and related implementation capacity. ADB may also consider studies, reviews, and other assessments conducted by other multilateral or bilateral agencies, a borrower, or stakeholders, to the extent these are relevant to a proposed project. ADB will request a borrower to provide information reasonably requested by ADB in connection with such an assessment. When an assessment of the borrower's E&S systems has been completed, ADB will disclose its assessment on its website, upon consultations with the borrower.

49. Where the assessment identifies gaps in the borrower's E&S systems, ADB will work with the borrower to identify and agree on measures and actions to address such gaps and strengthen the borrower's E&S systems, to the extent that such measures and actions are necessary to meet the requirements of para. 45. ADB may agree that such measures and actions may be implemented during project preparation or project implementation and will include, where necessary, capacity development measures for any relevant national, subnational, or sectoral implementing institution and any implementing agency. The agreed measures and actions, together with the time frames for their completion, will form part of the ESCP/ESAP. The ESCP/ESAP will also require that E&S performance will be measured against the approved E&S systems.

50. Where the use of the borrower's E&S systems is approved by ADB, ADB will require a borrower to take all actions necessary to maintain the E&S systems, as well as acceptable implementation practices, track record, and capacity, in accordance with the measures and actions identified in the ESCP/ESAP, throughout the implementation phase of a **project cycle**. Where ADB becomes aware of a change in the borrower's E&S systems that may materially and adversely affect a project for which the use of the borrower's E&S systems has been approved, ADB will discuss the change with the borrower. If, in the opinion of ADB, such change is inconsistent with para. 45 and the ESCP/ESAP, ADB will require a borrower to carry out, as appropriate, additional assessment and **stakeholder** engagement in accordance with the ESSs and agree on changes to the ESCP/ESAP. If, in the opinion of ADB, such changes serve to further improve the borrower's E&S systems, ADB may require a borrower to apply such changes to a project, after reflecting the new requirements in the ESCP/ESAP.

I. Information Disclosure

51. ADB will require a borrower/client to disclose to **stakeholders** sufficient, relevant, and timely information on the potential **E&S risks and impacts** of a project in accordance with ESS10.

52. Disclosure of **E&S assessment and management documents** and ESCP/ESAP prepared by a borrower/client and submitted to ADB for disclosure in accordance with ESS1 and ESS10, and any other E&S assessments and management documents prepared under the E&S Policy will be governed by ADB's Access to Information Policy. ADB will require a borrower/client to provide these E&S assessment and management documents to ADB in a timely manner to allow ADB to disclose them on its website as provided in para. 53.

53. ADB will disclose a draft, or final if available, **E&S assessment and management documents** and ESCP/ESAP for *High Risk*, *Substantial Risk*, and *Moderate Risk* projects as early as possible in project preparation and no later than project appraisal or final credit approval. For *High Risk* projects, a draft, or final if available, E&S impact assessment will be disclosed as early as possible in project preparation, and in any event at least 120 days before Board consideration of the proposed project for sovereign operations and at least 60 days before Board consideration of the proposed project for nonsovereign operations. These documents will address, in an adequate manner, the key **E&S risks and impacts** of the project and will provide sufficient detail to inform further stakeholder engagement and ADB decision making. Final or updated documents will be disclosed when available. ADB will also disclose monitoring reports submitted by the borrower/client.

54. Where ADB and a borrower/client agree that certain **E&S assessment and management documents** will be prepared by the borrower/client post-ADB approval of a project, as reflected in an ESCP/ESAP, the disclosure timing will follow the time frame as set out in the ESCP/ESAP. For *High Risk*, *Substantial Risk*, and *Moderate Risk* projects, ADB will indicate in a report and recommendation of the President or other project proposal document for ADB approval, those **E&S assessment and management documents** that will be prepared and disclosed after ADB approval.

J. Consultation and Participation

55. ADB recognizes the importance of early and continuing engagement with **stakeholders** that is inclusive and without discrimination against **project-affected persons**, including those who are **disadvantaged or vulnerable**. ADB will require a borrower/client to commence stakeholder engagement as early as possible in the **project cycle** and in a time frame that enables **meaningful consultations** with stakeholders on project design and will continue throughout the preparation and implementation phases of the project cycle as set out in a stakeholder engagement plan (SEP). The stakeholder engagement planning includes requiring a borrower/client to identify project-affected persons that may be disproportionately affected by a project because of their disadvantaged or vulnerable status. Risks relevant in the context of a project as set out in para. 24 will also be considered in planning for stakeholder engagement and meaningful consultation.

56. Where such **disadvantaged or vulnerable** persons are identified, ADB will require a borrower/client to undertake assessments of the risks and impacts to such persons and identify and implement differentiated measures to mitigate the adverse impacts so that the project adverse risks do not fall disproportionately on them. ADB will work with a borrower/client

so that through these measures, such disadvantaged or vulnerable persons can share equitably in benefits and opportunities resulting from a project. The design of these measures and their implementation will consider the particular circumstances of such persons, project and country context, including the **host country's** legal, governance, and institutional framework, the **host country's applicable laws** and other relevant factors set out in para. 24, to the extent possible and as determined by ADB. There may be circumstances under which the identification of disadvantaged or vulnerable individuals or groups, or designing of differentiated measures could expose these individuals or groups to further risks. ADB will consider the overall project-specific circumstances and project and country context, and work with the borrower/client to understand the potential effects and risks to such individuals and groups to determine and record an appropriate course of action.

57. ADB will participate in consultation activities led or organized by a borrower/client to understand the concerns of **project-affected persons**, and how such concerns will be addressed by a borrower/client in project design and mitigation measures in accordance with ESS10. The frequency of ADB participation will be determined at the scoping stage and will be proportionate to the nature and scale of project's E&S risks and impacts. ADB will monitor the implementation of consultation and **stakeholder** engagement by a borrower/client.

58. ADB recognizes that **Indigenous Peoples** may be particularly vulnerable in certain project circumstances. Therefore, as part of E&S risk classification, ADB will consider the criteria and the identification characteristics in para. 7 of ESS7, to determine whether an external specialist will be needed by the borrower/client to examine the Indigenous Peoples identification characteristics and make its determination on whether Indigenous Peoples are present in, or have **collective attachment** to, a proposed project-affected area. In conducting the risk classification, ADB may seek the technical advice of specialists with expertise on the social and cultural groups in a project-affected area and consult the Indigenous Peoples concerned and the borrower/client. Where Indigenous Peoples are present in, or have a collective attachment to, a proposed project-affected area, ADB will require a borrower/client to undertake a process of **meaningful consultation** tailored to Indigenous Peoples in accordance with ESS7 and to document the outcome. ADB will undertake the necessary review and monitoring and ascertain the outcome of the meaningful consultation, and this will contribute to ADB's decision making as to whether to proceed with a proposed project or not.

59. ADB recognizes that **Indigenous Peoples** may be particularly vulnerable to the loss of, alienation from, or exploitation of their land and access to natural and cultural resources. In recognition of this vulnerability, ADB will require a borrower/client to obtain the free, prior and informed consent (FPIC) of project-affected Indigenous Peoples when the circumstances described in ESS7 are present. When ADB is unable to ascertain that such consent has been obtained from the project-affected Indigenous Peoples, ADB will not proceed further with the aspects of a project that are relevant to those Indigenous Peoples whose FPIC cannot be ascertained in accordance with ESS7.

K. Monitoring

60. ADB will monitor a borrower's/client's E&S performance in accordance with the requirements in the ESCP/ESAP. This includes reviewing monitoring reports submitted by a borrower/client on the compliance of a project with the requirements of the ESCP/ESAP. The extent and mode of ADB's monitoring with respect to E&S performance will be proportionate to the potential **E&S risks and impacts** of a project.

61. For *High Risk* and *Substantial Risk* projects, and/or where appropriate and as required under the ESSs, ADB will require a borrower/client to engage **stakeholders** and third-parties, such as external specialists, local communities, or **civil society organizations**, to complement or verify project monitoring information, and include such requirement in a project's ESCP/ESAP. Where third-parties are responsible for managing specific **E&S risks and impacts** and associated implementing mitigation measures, ADB will require a borrower/client to collaborate with such agencies and third-parties to establish and monitor such mitigation measures and to achieve satisfactory implementation.

62. Where ADB has identified and agreed with a borrower/client and, as relevant, other agencies, on corrective or preventive measures and actions, such measures and actions will be included in the ESCP/ESAP.

63. If a borrower/client fails to implement measures and actions in the ESCP/ESAP in the time frames specified, ADB will have the right to require the borrower/client to rectify such failure as covenanted in a project's legal agreement, and/or otherwise exercise its legal remedies that are available under the project's legal agreement. Before exercising these legal remedies, ADB will generally pursue other available means to rectify the situation satisfactorily to all parties to the project's legal agreement, including initiating dialogue with the parties concerned to achieve compliance with the covenants in the legal agreement. To the extent that ADB evaluation at the time of **project completion** determines that measures and actions set out in the ESCP/ESAP and any other E&S requirements in a project's legal agreement have not been fully implemented, ADB will determine whether further measures and actions by a borrower/client, including continuing ADB's monitoring support, will be required.

L. Grievance Mechanism and Accountability

64. ADB will require a borrower/client to provide a project-level grievance mechanism to receive and facilitate resolution of concerns and grievances of **project-affected persons** arising in connection with a project. Project-affected persons may also submit complaints to the appropriate national or local judicial or administrative bodies and mediation. The project-level grievance mechanism will be proportionate to the **E&S risks and impacts** of a project, and follow the requirements set out in ESS10, ESS2, ESS4, ESS5, and/or ESS7, as applicable.

65. In addition to the project-level grievance mechanism to be provided by a borrower/client, ADB has its systems to receive and manage project-level complaints. These complaints may be received by ADB's relevant operations department as well as by ADB's Accountability Mechanism in accordance with the Accountability Mechanism Policy (2012).

M. Environmental and Social Approach to the Financing Modalities and Products

66. The approach to the assessment and management of **E&S risks and impacts** will differ depending on the ADB financing modalities and products and the intended use of the proceeds. The relevant requirements of the E&S Policy and ESSs are applicable to the financing modalities and products, except to the extent such requirements are modified or explained in Part IV (Financing Modalities Requirements).

67. ADB will allocate resources for corporate oversight, guidance, review, monitoring, and as necessary, capacity support, to a project proportionate to its E&S risk classification.

68. ADB will review the E&S assessment process undertaken by a borrower/client in accordance with paras. 31–37 as applicable. For every *High Risk* project, including those prepared by the borrower/client after ADB's approval irrespective of the financing modalities or product, ADB will require the borrower/client to submit for review the E&S assessment undertaken by the borrower/client.

N. Institutional and Implementation Arrangements

69. ADB will allocate responsibilities and appropriate resources to support the effective implementation of the E&S Policy.

70. ADB will commence review of the ESF no later than 10 years after its effective date. The ADB's Board of Directors may approve revisions to any part of the ESF at any stage where the need for such revisions arises because of changes in the operating context of **E&S risks and impacts**. If, in the future, the Board approves (i) any new financing modalities or products with specific E&S requirements, or (ii) any changes to prohibitions on financing of activities, the concerned Board paper will set out the necessary revisions to Part IV or Part V of the ESF, respectively. Upon Board approval of the concerned Board paper, Part IV or Part V will be revised to include such revisions, as appropriate.

O. Relation to Other Policies

71. Any reference in the E&S Policy and in ESSs to other ADB policies includes those other policies as amended from time to time.
72. The ESF will supersede the SPS, subject to the following transitional arrangements:
- (i) for projects that have been approved or have a concept note approved by ADB prior to the effective date of the ESF,¹ the SPS will continue to apply; and
 - (ii) for new projects for which a concept note is approved by ADB on or after the effective date of the ESF, the E&S Policy, ESSs, the requirements for financing modalities and products, and the prohibited investment activities list will apply.
73. The ESF will supersede the E&S requirements in the ADB policies on the financing modalities and products as follows, subject to the same transitional arrangements described in para. 72:
- (i) para. 83 of the Revised Disaster and Emergency Assistance Policy and para. 46 of the Revised Emergency Assistance Loan Policy.
 - (ii) paras. 84 and 85 of Mainstreaming the Multitranche Financing Facility and para. 20(v) of Enhancing the Asian Development Bank's Multitranche Financing Facility. The disclosure requirements for E&S documents for ADB (as set out in the E&S Policy) and for the borrowers and clients (as set out in ESS10) will supersede the safeguard document disclosure requirements in para. 91 of Mainstreaming the Multitranche Financing Facility.
 - (iii) para. 29 of the Review of ADB's Policy-Based Lending.
 - (iv) paras. 34–36, 41(vii) and 72–81 of the *Mainstreaming the Results-Based Lending for Programs*.
 - (v) para. 17 of the *Contingent Disaster Financing under Policy-Based Lending in Response to Natural Hazards*.
 - (vi) paras. 27, 31, and 60(i) of the *Proposal for ADB's New Products and Modalities*.
 - (vii) para. 77(ii) of *Enhancing Operational Efficiency of the Asian Development Bank*.

¹ The ESF will become effective on 1 January 2026, or a later date as determined by Management after confirming the readiness to implement the ESF, and following Board consultations on the same.

PART III
Borrower Requirements—
Environmental and
Social Standards 1–10





Elephant overpass, Bangladesh (photo by Jiang Yafei).

Assessment and Management of Environmental and Social Risks and Impacts



ESS1

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 1 sets out the borrower's/client's responsibilities for screening and scoping, assessing, managing, and monitoring **environmental and social (E&S) risks and impacts** of a project, in a manner proportionate to the nature and scale of the potential risks and impacts.
2. The ESSs are collectively designed to help the borrower/client manage the E&S risks and impacts of a project, and improve E&S performance, through a risk- and outcomes-based approach. Each ESS sets out the objectives, followed by specific requirements to help the borrower/client achieve these objectives through means that are appropriate to the nature and scale of the project and proportionate to the level of E&S risks and impacts.

II. OBJECTIVES

- a. Screen and scope, assess, manage, and monitor the **E&S risks and impacts** of a project in a manner consistent with ESS1 and other applicable ESSs.
- b. Adopt a **mitigation hierarchy** approach to (i) anticipate and as a first priority, avoid E&S risks and impacts; (ii) where avoidance is not possible, minimize or reduce E&S risks and impacts to acceptable levels; and (iii) once E&S risks and impacts have been minimized or reduced, mitigate, restore, and/or compensate for adverse impacts on the environment and **project-affected persons**.
- c. Require that a project be environmentally and socially sound and sustainable, and support the integration of E&S considerations into the project decision-making process.
- d. Adopt differentiated measures so that adverse impacts do not fall disproportionately on the **disadvantaged or vulnerable**, considering gender-related risks, and ensure they are not disadvantaged in sharing development benefits and opportunities resulting from a project.
- e. Promote improved E&S performance, in ways which recognize and enhance borrower/client capacity.

III. SCOPE OF APPLICATION

3. The requirements of ESS1 and other ESSs apply, to the extent such ESSs are determined to be applicable, to ADB-financed and/or ADB-administered sovereign and private sector projects and their components regardless of the source of financing, including investment projects funded by a loan, a grant, and/or other means, such as equity and/or guarantees, hereafter broadly referred to as projects. A project's legal agreement describes a project, which in turn, helps identify the E&S requirements that apply to a project. The approach for the assessment and management of E&S risks and impacts for projects across different financing modalities and products offered by ADB is explained in paras. 66–68 of ESS1 and in Part IV of the Environmental and Social Framework (ESF).

4. The ESSs do not apply to activities that are not part of a project, nor to activities that the borrower/client implements following **project completion** without financing support from ADB, with the exception of **associated facilities** as set out in paras. 16–17.
5. The application of ESS1 and other ESSs to **associated facilities**, existing facilities, and those projects or components cofinanced with other parties are described in paras. 16–21.
6. The borrower/client will ensure that a project does not include activities on the Prohibited Investment Activities List in Part V of the ESF.

IV. REQUIREMENTS

7. The borrower/client will meet all requirements under the ESSs applicable to a project and will provide ADB with information reasonably requested to ascertain the appropriate E&S risk classification of a project in accordance with the E&S Policy in Part II of the ESF. The assigned E&S risk classification will form the basis for scoping, assessing, and managing a project's **E&S risks and impacts**.
8. Based on the E&S risk classification, the borrower/client will determine, in consultation with ADB, the scope of the E&S assessment in section D for screening, assessing, managing, and monitoring the **E&S risks and impacts** of a project in accordance with the relevant ESSs, proportionate to the nature and scale of its potential E&S risks and impacts.
9. The borrower/client will ensure that the E&S assessment addresses, in an integrated way, all **direct-, indirect-, and cumulative-E&S risks and impacts** such that relevant E&S factors, including those set out in para. 26 (i) and (ii) and relevant contextual risks, are considered comprehensively and in a non-fragmented manner, throughout the concept design, preparation, and implementation phases of a **project cycle** together with any project-specific issues raised by ADB or identified by the borrower/client.
10. Throughout the E&S assessment process, the borrower/client will identify **project-affected persons** that may be disproportionately affected by a project because of their **disadvantaged or vulnerable** status. Where such disadvantaged or vulnerable persons are identified, the borrower/client will undertake the assessment of the risks and impacts to identify and implement differentiated measures to mitigate the adverse impacts and ensure the project's adverse risks do not fall disproportionately on them. The borrower/client will ensure that, through these measures, such disadvantaged or vulnerable persons can share equitably in the benefits and opportunities resulting from a project. The design of these measures and their implementation will consider the particular circumstances of such persons, project and country context, including the legal, governance, and institutional framework of the **host country** and other factors set out in para. 37, to the extent possible and as determined by ADB.
11. The borrower/client will comply with the **host country's applicable laws**, including those laws implementing the **host country's** obligations under **international instruments**. Where requirements of the host country's applicable laws differ from ESS requirements, the borrower/client will achieve or implement whichever is more stringent or protective of the **project-affected persons** and/or the environment. The borrower/client will also apply the requirements of the relevant **good international practice (GIP)** and other internationally recognized standards such as the World Bank Group's **Environmental, Health, and Safety Guidelines (EHSGs)**, as required under the relevant ESSs.
12. Where the borrower/client proposes less stringent standards than those provided in applicable **GIP** or **EHSGs**, as required under the relevant ESSs, the borrower/client will provide a detailed assessment and justification for the proposed less stringent standards. In this justification, the borrower/client will demonstrate, to the satisfaction of ADB, that the choice of any less stringent standard is consistent with the objectives of the ESSs and the applicable GIP or EHSGs, and is unlikely to result in significant environmental or social harm.

13. The borrower/client will ensure that all E&S assessment requirements under the relevant ESSs have been identified and undertaken to the extent possible to the satisfaction of ADB to enhance E&S readiness of a project.

14. The borrower/client will develop an environmental and social commitment plan (ESCP)/ environmental and social action plan (ESAP) for a project as detailed in paras. 38–44, implement all measures and actions set out in the ESCP/ESAP, and conduct monitoring and reporting on the E&S performance of a project against all applicable ESSs as set out in the ESCP/ESAP.

A. Associated Facilities

15. For the purpose of the E&S Policy and the ESSs, the term **associated facilities** means new facilities or activities that are not funded as part of a project and, in the judgment of ADB, are (i) directly and significantly related to the project; (ii) developed, or contemporaneously planned to be developed, with the project; and (iii) necessary for the project to be viable and would not have been developed if the project did not exist. This determination on the associated facilities will be made by ADB on a case-by-case basis based on the project circumstances and context.

16. The borrower/client will ensure that the E&S assessment and management provisions, consistent with ESS1 and other ESSs apply to **associated facilities**, to the extent that the borrower/client has control or influence over the associated facilities.

17. Where ADB determines that the requirements of the common approach under para. 21 or the requirements of other multilateral or bilateral agencies or organizations are likely to address the **E&S risks and impacts** of the **associated facilities** to achieve E&S outcomes through meeting the objectives materially consistent with the ESSs, the borrower/client may agree with ADB to apply such requirements, instead of the ESSs, to the associated facilities.

18. The borrower/client will be required to demonstrate the extent to which it cannot exercise control or influence over the **associated facilities**, providing details of the considerations for such a determination. If the borrower/client does not have control or influence, the E&S assessment for a project will still identify and consider the **E&S risks and impacts** that may be presented by the associated facilities to the project.

19. When a new facility or activity that is related to the project does not meet the conditions in para. 15, the borrower/client will undertake a high level E&S risk assessment of such a new facility or activity to the extent possible based on the information available to the borrower/client at the time of project preparation, documenting the scope of potential issues and future management issues to be determined.

B. Existing Facilities

20. For a project that includes existing facilities or activities as a component, the borrower/client will undertake an E&S audit, including an on-site assessment, to identify past or present concerns related to **E&S risks and impacts**. The scope of the E&S audit will be proportionate to the nature and scale of the E&S risks and impacts of the existing facilities or activities, and it will be undertaken by qualified and experienced specialists. As part of the audit, the borrower/client will analyze the legal, governance, and institutional framework for the existing facilities or activities, including the issues set out in para. 37, any existing operating permits and licenses, and existing plans developed to address specific E&S risks and impacts for the existing facilities or activities, and where applicable, any E&S requirements of the financiers of the existing facilities or activities. If such audit identifies any past or present E&S risks and impacts, the audit will propose and justify measures and actions to correct and/or mitigate such E&S risks and impacts, estimate the cost of such measures and actions, and recommend a schedule for implementing them. The proposed measures and actions will depend on a project's intended use of existing facilities or activities and the intended purpose of the ADB financing and will also take into account the technical and financial feasibility of such measures and actions. Modifications to, or new components of, such existing facilities or activities financed by ADB will meet the requirements of the applicable ESSs.

C. Common Approach

21. Where ADB is cofinancing a project with other multilateral or bilateral agencies or organizations, and where appropriate, the borrower/client will cooperate with ADB and such cofinancier(s) to agree on a common approach in the E&S assessment, development, and implementation of a project. A common approach will be acceptable to ADB, provided that such an approach is likely to address the **E&S risks and impacts** of a project to achieve E&S outcomes through meeting the objectives materially consistent with the ESSs. The common approach will apply the requirements among the cofinancier(s) that are most stringent or protective of the **project-affected persons** and/or the environment, as appropriate. In determining whether the common approach is acceptable, ADB will consider the policies, standards, and implementation procedures of the multilateral or bilateral agencies or organizations, as applicable. ADB, the cofinancier(s), and the borrower/client will agree on the E&S arrangements, including the applicable E&S requirements and the roles and responsibilities of the respective parties under the common approach as early as possible during project preparation and no later than at the time of project appraisal or final credit approval. These arrangements will be reflected in the ESCP/ESAP and the E&S performance will be measured against the common approach. A common approach will apply to the associated facilities financed by the same cofinancier(s) if agreed by ADB and the borrower/client.

22. Where ADB is financing a project for which certain E&S assessments have already been undertaken and **E&S assessment and management documents** have been prepared as required under the common approach, the borrower/client may rely on such E&S assessment and management documents prepared using the agreed common approach, if such reliance is agreed by ADB. Where certain E&S assessments have already been undertaken and E&S assessment and management documents have been prepared in compliance with the requirements of other multilateral or bilateral agencies or organizations but where there is no agreed common approach, the borrower/client may rely on such E&S assessment and management documents only if such documents meet the requirements of the relevant ESSs, and agreed by ADB.

D. Environmental and Social Assessment and Management

23. The term E&S assessment is a generic term used in the ESF to describe the process of analysis and planning used by the borrower/client to ensure that the E&S risks and impacts of a project are assessed and managed proportionate to the nature and scale of the potential E&S risks and impacts of a project. The E&S assessment is the primary tool used by decision makers to inform project design and determine whether the project is environmentally and socially sustainable.

24. The borrower/client, in consultation with ADB, will determine the scope of the E&S assessment based on the E&S risk classification of a project. Based on this scope, the borrower/client will undertake an E&S assessment of a project, in an integrated manner, and assess all relevant direct-, indirect- and cumulative-E&S risks and impacts, including those specifically identified in ESS2–ESS10 throughout the project cycle.

25. The borrower/client, in consultation with ADB, will identify and use one or a combination of E&S assessment methods and tools, including scoping, E&S analyses, investigations, audits, surveys, and studies to assess the potential E&S risks and impacts of a project and determine measures to mitigate those risks and impacts in accordance with the ESSs. The assessment methods and tools will depend on the nature and scale of the identified E&S risks and impacts and the applicable ESSs. The borrower/client will integrate and consolidate the findings of all assessments and associated mitigation measures and actions in a timely manner. This may result in a series of separate stand-alone or combined **E&S assessment and management document(s)**. These E&S assessment and management documents are listed and briefly described in the Annex of ESS1 along with their indicative outlines.

26. The borrower/client will ensure that the E&S assessment will take into account all relevant **E&S risks and impacts** of a project as described in detail in ESS2–ESS10, including:

- (i) **environmental risks and impacts**, such as **pollution to air**, water, and **soil**; health, safety, and security risks of **project workers** and communities; threats to the protection, conservation, and maintenance of **natural** and **critical habitats** and **biodiversity**, **ecosystem services**, **living natural resources** and the maintenance of **environmental flows**; risks to **cultural heritage**; and **climate change mitigation** and **adaptation**; and
- (ii) **social risks and impacts**, such as any impacts from **land acquisition and land use restriction**; adverse impacts on communities of **Indigenous Peoples**; risks associated with labor, working conditions, and rights of **project workers**; risks where project impacts fall disproportionately on the **disadvantaged or vulnerable**; and gender issues and other gender-related risks, including potential risks of **sexual exploitation, abuse, and harassment (SEAH)**, and **digital risks**.

27. The borrower/client will ensure that the E&S assessment applies the **mitigation hierarchy** to (i) anticipate and as a first priority avoid **E&S risks and impacts**; (ii) where avoidance is not possible, minimize or reduce E&S risks and impacts to acceptable levels; and (iii) once E&S risks and impacts have been minimized or reduced, mitigate, restore, and/or compensate for adverse impacts on the environment and **project-affected persons**. The borrower/client will ensure that the costs of addressing the E&S risks and impacts through the mitigation hierarchy, are included as part of a project's costs.

28. Where significant residual impacts remain, the borrower/client will compensate for or **offset** them, where **technically and financially feasible**. Where this is not technically and financially feasible, the borrower/client will set out the rationale and justification for this determination in the E&S assessment.

29. The borrower/client will ensure that the E&S assessment is an adequate, accurate, and objective evaluation of the **E&S risks and impacts** of a project, prepared by qualified and experienced specialists. The borrower/client will hire an external specialist if ADB has determined that the potential significance of **E&S risks and impacts** requires the assistance of such a specialist. If a third-party specialist is engaged by ADB, the borrower/client will cooperate and provide access to the project site and necessary information.

30. The borrower/client will engage **internationally recognized experts** for *High Risk* and *Substantial Risk* projects that are also contentious, involve serious and multidimensional issues, and generally have interrelated potential E&S risks and impacts. These experts may be engaged individually or as an advisory panel, in consultation with ADB, to carry out the E&S assessment, and assess and/or monitor the implementation of the measures identified through the E&S assessment process.

31. The borrower/client will undertake the E&S assessment based on current information, including an accurate description of the scope of a project, its components and **associated facilities**, and E&S baseline data at an appropriate level of detail sufficient to inform characterization and identification of **E&S risks and impacts** and mitigation, management, and monitoring measures.

32. The borrower/client will seek opportunities to enhance the positive impacts of a project, subject to the requirements of the ESSs. The E&S assessment will identify the potential gender-based **E&S risks and impacts** of a project, and will develop measures to prevent and mitigate such risks and impacts throughout the **project cycle**. The assessment will consider intersectionality to address how gender inequalities intersect with other forms of disadvantages and discrimination that create barriers for accessing project benefits and limit their ability to respond to adverse impacts of a project. The borrower/client will promote gender-responsive **stakeholder** engagement process, information disclosure and grievance mechanisms with consideration for the **disadvantaged or vulnerable** in accordance with ESS10. The borrower/client will also assess gender-related health and safety risks and **SEAH** risks to **project workers** and **project-affected persons** to prevent and mitigate such risks in accordance with ESS2 and ESS4.

33. The borrower/client will ensure that the E&S assessment includes an alternatives assessment. Such an assessment will consider, in relation to the relevant ESSs, feasible alternatives to the proposed project including the “without project” scenario, as well as feasible alternatives to the project design such as the project location, technology, and other relevant features that can avoid, as a first priority, and/or mitigate the relevant **E&S risks and impacts**. For each of the alternatives, the E&S risks and impacts are quantified to the extent possible.
34. Where a project involves significant use of digital technology and/or information technologies, the E&S assessment will consider **digital risks** resulting from usage of such technologies. In the absence of a **host country’s applicable laws** on digital risks, evolving good practices will be applied as appropriate to develop appropriate measures to manage such risks and impacts.
35. The borrower/client will undertake **stakeholder** engagement as an integral part of the E&S assessment in accordance with ESS10 to ensure that the E&S assessment and the stakeholder engagement processes are designed to meet the requirements of the relevant ESSs, and the findings and the mitigation measures based on the **mitigation hierarchy** are incorporated into project selection, siting, and design decisions. The borrower/client will ensure that stakeholder engagement is inclusive and does not discriminate against **project-affected persons**, including those deemed **disadvantaged or vulnerable**.
36. The E&S assessment will consider potentially significant project-related transboundary and global risks and impacts, such as impacts from effluents and emissions, increased use or contamination of international waterways, emissions of short- and long-lived climate pollutants, **climate change mitigation, adaptation** and **resilience** issues, and impacts on threatened or depleted migratory species and their habitats. The E&S assessment will also consider risks and impacts associated with the **primary suppliers** as required by ESS2 and ESS6.
37. The borrower/client will ensure that the E&S assessment takes into account the **host country’s** applicable legal, governance, and institutional framework; the **host country’s applicable laws**; institutional capabilities for implementation relating to E&S issues; project context; and the host country’s environmental or social status reports and/or national environmental or social action plans, where these exist. The borrower/client will ensure that the E&S assessment is undertaken in coordination with the economic, financial, institutional, and technical analysis of a project.
38. Where the E&S assessment identifies potential losses of income or livelihood from project-related environmental impacts that are not a direct result of project activities under **land acquisition and land use restriction**, the borrower/client, in consultation with ADB, will provide appropriate livelihood restoration measures and, in this respect, may consider applying the principles set out in ESS5.
39. Where the borrower/client approaches ADB to provide financing for a project that is under construction, or where a project has already received national permits, licenses, or other forms of clearance for construction or operations, including the approval of local E&S impact assessments, or otherwise completed or partially completed E&S assessments prior to ADB’s involvement in a project, the borrower/client will conduct an audit to determine whether the completed assessment meets the requirements of the ESSs. Based on the findings of the audit, the borrower/client may be required to undertake additional assessments and the associated consultations and disclosures.
40. The borrower/client will ensure that the E&S assessment includes a review of the institutional capacity of the agency responsible for implementing a project’s **E&S assessment and management documents** and ESCP/ESAP. Where necessary to ensure the capacity is in place, the borrower/client will include components or activities in a project to strengthen its technical capacity to carry out the E&S assessment and management. The borrower/client will ensure that E&S responsibilities are well-defined with clear lines of responsibility and authority and communicated to all personnel involved. Where a project includes one or more elements of capacity strengthening, these elements will be subject to monitoring and evaluation.

E. Environmental and Social Commitment Plan and Environmental and Social Action Plan

41. The borrower/client will agree with ADB on an adaptive management process in which measures and actions necessary to meet the requirements of the ESSs will be identified and implemented over a specified time frame through an ESCP/ESAP. The ESCP/ESAP may allow certain components of the E&S assessment for a project to be carried out during project implementation. However, ADB will only allow such deferral to be included in the ESCP/ESAP, if the level of **E&S risks and impacts** of the activity to be assessed during project implementation is not likely to change the E&S conclusions for the project, and does not compromise the overall E&S readiness of a project. To determine the appropriate manner and acceptable time frame for the borrower/client to implement the measures to comply with the ESSs, the borrower/client will consider the nature and scale of the potential E&S risks and impacts of a project based on the findings of the E&S assessment and **stakeholder** engagement; the timing for the development and implementation of a project; the capacity of the borrower/client and other entities, if any, involved in the development and implementation of a project as assessed by ADB; and the timing of specific measures and actions to be put in place or taken by the borrower/client to address such risks and impacts.
42. The ESCP will include those mitigation and performance improvement measures and actions that are (i) forward looking measures set out in the **E&S assessment and management documents**; and/or (ii) future actions to be undertaken during project implementation in accordance with the guidance provided in the E&S assessment and management documents. The ESAP will include those mitigation and performance improvement measures and actions that are required to bring a project into compliance with the relevant ESSs, such as supplementing the existing E&S systems.
43. Where necessary as determined by ADB, the borrower/client will include in the ESCP/ESAP, a description of trainings to address the specific measures and actions required to support effective and continuous E&S performance. The ESCP/ESAP will also include the details of the human and financial resources associated with such trainings. When a project uses the borrower's E&S systems or common approach, the measures and actions and the specific E&S arrangements will be set out in the ESCP/ESAP.
44. The borrower/client will specify a completion date for each action in the ESCP/ESAP. The borrower/client will implement the measures and actions identified in the ESCP/ESAP in accordance with the specified time frame and will review the status of the implementation of the ESCP/ESAP as part of its monitoring and reporting.
45. The ESCP/ESAP will also include the details of the human and financial resources associated with implementation and monitoring of any measures and actions set out in the ESCP/ESAP. The borrower/client will ensure sufficient high-level commitment to provide human and financial resources on an ongoing basis to implement the ESCP/ESAP as well as for the monitoring and reporting on the ESCP/ESAP requirements. The legal agreement for a project will include obligations of the borrower/client to implement the ESCP/ESAP.
46. Where the borrower/client is required under the ESCP/ESAP to take specific measures and actions during project implementation, the borrower/client will not carry out any activities in relation to the project that may cause material adverse **E&S risks and impacts** until the relevant measures and actions have been completed in accordance with the ESCP/ESAP, including satisfying applicable requirements on consultation and disclosure.
47. If there are changes to a project that result in additional **E&S risks and impacts**, particularly where these will impact **project-affected persons**, the borrower/client will provide information on such risks and impacts, and will undertake **meaningful consultation** with **project-affected persons** in accordance with ESS10. The borrower/client will update the ESCP/ESAP, as necessary, in consultation with ADB, setting out any additional measures and actions to be implemented by the borrower/client.

F. Environmental and Social Assessments in Fragile and Conflict-Affected Situations

48. For projects in fragile and conflict-affected situations where there are constraints to the availability of information and data required to prepare **E&S assessment and management documents**, the borrower/client will address the key risks and impacts and propose management measures, to the extent possible. In cases where it is not possible to complete the E&S assessment process before ADB's approval of such projects, the borrower/client will agree with ADB to adopt a framework approach, and an environmental and social management framework (ESMF) will be prepared with specific measures and actions to be taken during project implementation included in the ESCP/ESAP. In order to address the **E&S risks and impacts** of a project, the borrower/client will still undertake the assessment and management of the E&S risks and impacts in accordance with the requirements set out in the ESMF, ESS1, and other relevant ESSs before undertaking any activities for a project that may cause material adverse E&S risks and impacts. The borrower/client will submit to ADB for review and disclosure all E&S assessment and management documents, as well as monitoring reports prepared in accordance with the relevant ESSs and ESMF documenting the E&S performance of the project.

G. Monitoring, Adaptive Management, and Reporting

49. The monitoring process will record information, track performance, and establish relevant operational controls to verify compliance and progress with the environmental and social management plan or other **E&S assessment and management documents**, the ESCP/ESAP, and a project's legal agreements. The borrower/client will ensure that the E&S assessment and management documents developed take a long-term and phased approach to accommodate the dynamic nature of the concept design, preparation, and implementation phases of a **project cycle** and are responsive to changes in project circumstances, unforeseen events, regulatory changes, and the results of monitoring and review. The borrower/client will agree with ADB on the extent and methods of monitoring to be set out in the ESCP/ESAP and, where required, will make adjustments based on project performance experience or any actions requested by the regulatory authorities of a **host country**.

50. For *High Risk* and *Substantial Risk* projects, and/or where appropriate and as required under the ESSs, the borrower/client will engage third-parties, such as external monitors, local communities, or **civil society organizations**, to complement and/or verify its own project monitoring information, as agreed to in the ESCP/ESAP. Where third-parties are responsible for managing specific E&S risks and impacts and associated mitigation measures, the borrower/client will collaborate with such third-parties to establish and monitor such mitigation measures and ensure satisfactory implementation. Where appropriate, the borrower/client may involve representatives of **project-affected persons** and other **stakeholders** to participate in project monitoring activities, including by providing inputs to define appropriate indicators.

51. The borrower/client will submit to ADB for disclosure monitoring reports documenting the E&S performance of a project as required in the ESCP/ESAP. Monitoring reports will be submitted to ADB at least semiannually for projects deemed to have *High Risk* and *Substantial Risk*, and at least annually for projects deemed to have *Moderate Risk* and *Low Risk*, or as otherwise stated in the ESCP/ESAP. The borrower/client will ensure that these reports provide an accurate and objective record of project implementation, including compliance with the relevant **E&S assessment and management documents**. These reports will also include information on **stakeholder** engagement conducted during project implementation in accordance with ESS10.

52. Based on the results of the monitoring, the borrower/client will identify any necessary preventive and corrective actions to ensure compliance with the ESSs, and will update the ESCP/ESAP or the relevant **E&S assessment and management documents**, in a manner acceptable to ADB. The borrower/client will implement the agreed preventive and corrective actions in accordance with the updated ESCP/ESAP, E&S assessment and management documents, and/or the monitoring report on these actions. The borrower/client will facilitate site visits by ADB staff or consultants acting on ADB's behalf.

53. The borrower/client will notify ADB promptly of any incident or accident relating to a project which has, or is likely to have, a significant adverse effect on the environment, **project-affected persons, project workers**, or the public. The borrower/client will include in the notification sufficient detail describing such an incident or accident and its consequences, including any fatalities or serious injuries. The borrower/client will take immediate measures to satisfactorily address the incident or accident and to prevent any recurrence, including in accordance with the **host country's applicable laws**, including those laws implementing the **host country's** obligations under **international instruments**, and the applicable ESSs. For any injury, ill-health, or fatalities caused by project activities, the borrower/client will provide appropriate compensation as set out in ESS4.

H. Stakeholder Engagement and Information Disclosure

54. As described in ESS10, the borrower/client will continue to engage with and provide sufficient information to **stakeholders** throughout the concept design, preparation, and implementation phases of a **project cycle** in a manner appropriate to the nature of their interests and the potential **E&S risks and impacts** of a project.

55. The borrower/client will submit to ADB for disclosure all **E&S assessment and management documents** and the ESCP/ESAP for a project prior to project appraisal or final credit approval.

56. The borrower/client will also submit to ADB for disclosure all future **E&S assessment and management documents** that are prepared as required, and according to the time frame specified in the ESCP/ESAP after project appraisal or final credit approval.

57. The borrower/client will submit to ADB for disclosure, monitoring reports and, as necessary, corrective action plans documenting the E&S performance of a project as stated in the ESCP/ESAP.

I. Use of Borrower's Environmental and Social Systems

58. ADB may support the use of the borrower's E&S systems in the assessment, development, and implementation of a project, provided this is likely to address the **E&S risks and impacts** of the project to achieve E&S outcomes through meeting the objectives materially consistent with the ESSs. The borrower's E&S systems will include those aspects of the **host country's** policy, legal, governance, and institutional framework, including its national, subnational, or sectoral implementing institutions and the **host country's applicable laws**, and implementation capacity which are relevant to the E&S risks and impacts of a project. Where there are inconsistencies or lack of clarity within the borrower's E&S systems as to competent government authorities or their jurisdiction, these will be identified and discussed with the borrower. The aspects of the borrower's existing E&S systems that are relevant will vary from project to project, depending on such factors as the type, scale, location, and potential E&S risks and impacts of a project and the role and authority of different institutions.

59. Where the borrower and ADB propose to use all, or part, of the borrower's E&S systems, ADB, in consultation with the borrower, will undertake an assessment to determine whether and to what extent the borrower's E&S systems as described in para. 58 can be used to address the **E&S risks and impacts** of the project to achieve the E&S outcomes through meeting the objectives materially consistent with the ESSs. The borrower/client will provide information reasonably requested by ADB in connection with this assessment. A final decision on the use of all, or part, of the borrower's E&S systems for a project will be made by ADB's Board of Directors.

60. Where the assessment identifies gaps in the borrower's E&S systems, the borrower will work with ADB to identify and agree on measures and actions to address such gaps and strengthen the borrower's E&S systems, to the extent that such measures and actions are necessary to meet the requirements of para. 58. Such measures and actions may be implemented during project preparation or project implementation, as agreed with ADB, and will include, where necessary, capacity development measures for any relevant national, subnational, or sectoral implementing institution and any implementing agency. The agreed measures and actions, together with the time frames for their completion, will form part of the ESCP/ESAP. The ESCP/ESAP will also require that E&S performance will be measured against the approved E&S systems.

61. Where the use of the borrower's E&S systems is approved by ADB, the borrower will take all actions necessary to maintain the E&S systems, as well as acceptable implementation practices, track record, and capacity, in accordance with the measures and actions identified in the ESCP/ESAP, throughout the implementation phase of a **project cycle**. The borrower will notify and discuss with ADB any changes in the borrower's E&S systems that may materially and adversely affect a project for which the use of the borrower's E&S system has been approved. If the borrower's E&S systems are changed in a manner inconsistent with the requirement of para. 58 and the ESCP/ESAP, the borrower will carry out, as appropriate, additional assessment and **stakeholder** engagement in accordance with the ESSs, and agree with ADB on changes to the ESCP/ESAP. If, in the opinion of ADB, such changes serve to further improve the borrower's E&S systems, the borrower may apply such changes to a project, after reflecting the new requirements in the ESCP/ESAP.

J. Environmental and Social Approach to Financing Modalities and Products

62. The approach to the assessment and management of **E&S risks and impacts** will differ depending on the ADB financing modalities and products and the intended use of the proceeds. The borrower/client will apply the relevant requirements of the ESSs to the financing modalities and products, except to the extent such requirements are modified or explained in Part IV (Financing Modalities Requirements).

63. For every *High Risk* project, including those prepared by the borrower/client after ADB's approval irrespective of the financing modalities or product, ADB will require the borrower/client to submit for review the E&S assessment undertaken by the borrower/client.

K. Management of Contractors

64. The borrower/client will require that all contractors and subcontractors engaged on a project operate in a manner consistent with the requirements of the ESSs, including the specific requirements set out in the ESCP/ESAP, such as preparation of additional plans or assessments as required by the ESSs and as relevant to the financing modality or product. The borrower/client will manage all contractors in an effective manner, including:

- (i) assessing the **E&S risks and impacts** associated with such contracts;
- (ii) ascertaining that contractors engaged in connection with a project are legitimate and reliable based on past performance, and have necessary E&S knowledge and skills needed to fulfill their contractual commitments with regard to managing E&S risks and impacts; incorporating all relevant aspects of the ESCP/ESAP into bidding documents;
- (iii) including the environmental and social requirements in bidding documents and civil works contracts and contractually requiring contractors to apply the relevant aspects of the ESCP/ESAP and the relevant **E&S assessment and management documents**;
- (iv) requiring contractors to implement any corrective action plans to bring a project into compliance with the ESSs and when needed;
- (v) monitoring contractor compliance with their contractual commitments; and
- (vi) in the case of subcontracting third-parties, requiring contractors to have equivalent arrangements with their subcontractors.

ANNEX: ENVIRONMENTAL AND SOCIAL ASSESSMENT

1. The environmental and social (E&S) assessment is the primary process used by decision makers to identify the **E&S risks and impacts** of a project, determine measures to mitigate those risks and impacts, and ensure that the project is environmentally and socially sound and sustainable.
2. The manner in which the E&S assessment is conducted and the issues it addresses will vary for each project. The borrower/client will consult with ADB to determine the scope of the E&S assessment and the process to be used, considering a number of activities, including **stakeholder** engagement, potential E&S issues, and any specific issues raised between ADB and the borrower/client. The E&S assessment will include and take into account coordination and consultation with **project-affected persons** and **other interested parties**, particularly at an early stage, to ensure that all potentially significant **E&S risks and impacts** are identified and addressed.
3. The different **E&S assessment and management documents** will include, as appropriate, the following. For those E&S assessment and management documents related to land acquisition and land use restrictions, refer to ESS5, and for those related to Indigenous Peoples, refer to ESS7.
 - (i) **Environmental and Social Impact Assessment**
An environmental and social impact assessment (ESIA) is an instrument to identify and assess the potential E&S impacts of a proposed project, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures. Details of the content of an ESIA are included in Annex 1 (A-1).
 - (ii) **Environmental and Social Management Plan**
An environmental and social management plan (ESMP) is an instrument that details (i) the measures to be taken during the implementation and operation of a project to eliminate or offset adverse E&S impacts, or to reduce them to acceptable levels; and (ii) the actions needed to implement these measures, and (iii) the roles and responsibilities of the parties involved in implementing the measures. Details of the content of an ESMP are included in Annex 1 (A-2).
 - (iii) **Environmental and Social Audit**
An E&S audit is an instrument to determine the nature and extent of all E&S areas of concern at existing facilities or activities. The audit identifies and justifies appropriate measures and actions to mitigate the areas of concern, estimates the cost of the measures and actions, and recommends a schedule for implementing them. For certain projects, the E&S assessment may consist of an E&S audit alone; in other cases, the audit forms part of the E&S assessment. Details of the content of an E&S audit are included in Annex 1 (A-3).
 - (iv) **Cumulative Impact Assessment**
A cumulative impact assessment is an instrument to consider the **cumulative impacts** of a project in combination with impacts from other relevant past, present, and reasonably foreseeable developments as well as unplanned but predictable activities enabled by a project that may occur later or at a different location.
 - (v) **Environmental and Social Management Framework**
An environmental and social management framework (ESMF) is an instrument that examines the **E&S risks and impacts** where a project consists of a program and/or series of subprojects, and the E&S risks and impacts cannot be determined until the program or subproject details have been identified. Details of the content of an ESMF are included in Annex 1 (A-4).
 - (vi) **Strategic Environmental and Social Assessment**
A strategic environmental and social assessment (SESA) is a systematic examination of the **E&S risks and impacts** and the issues associated with a policy, plan, or program, typically at the national, subnational, or sector level. The examination will screen and assess the potential application of the ESS1–ESS10, and will focus on the strategic, geographic, and/or sector-wide E&S risks and impacts covered in the relevant ESSs.

(vii) **Environmental and Social Management System**

An environmental and social management system (ESMS) is a dynamic and continuous process initiated and supported by the borrower/client and involves engagement between the borrower/client and project **stakeholders**. The ESMS provides a methodological approach to managing **E&S risks and impacts** in a systematic and structured way on an ongoing basis. An ESMS is prepared for **financial intermediary (FI)** and corporate finance (CF) financing and is proportionate to the nature and scale of a project, promotes sound and sustainable E&S performance, and can lead to improved E&S outcomes. Details of the indicative content of an ESMS are included in Annex 1 (A-5).

A-1: Indicative Outline of an Environmental and Social Impact Assessment

Where an ESIA is prepared as part of the E&S assessment process, it will include the following:

A. Executive Summary

This section provides a concise discussion of significant findings and recommended actions.

B. Legal and Institutional Framework

This section analyzes the legal, governance, and institutional framework for a project, within which the E&S assessment is carried out, including the issues described in ESS1. It compares the borrower's/client's existing E&S framework and the ESSs and identifies the gaps between them. It also identifies and assesses the E&S requirements of any cofinanciers.

C. Project Description

This section:

- (i) concisely describes a proposed project and its geographic, environmental, social, and temporal context, including any off-site investments that may be required (e.g., dedicated pipelines, access roads, power supply, water supply, housing, and raw material and product storage facilities), as well as a project's **primary suppliers**.
- (ii) through consideration of the details of a project, indicates the need for any plan to meet the requirements of ESS1-ESS10.
- (iii) includes a schematic, showing in sufficient details, showing the project site and the area that may be affected by a project's direct, indirect, and cumulative impacts.

D. Baseline Data

This section:

- (i) sets out in detail the baseline data that are relevant to decisions about project location, design, operation, or mitigation measures. Includes a discussion of the accuracy, reliability, and sources of the data as well as information about dates surrounding project identification, planning, and implementation.
- (ii) identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions.
- (iii) based on current information, assesses the scope of the area to be studied and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before a project commences.
- (iv) takes into account current and proposed development activities within the project area but not directly connected to a project.

E. Environmental and Social Risks and Impacts

This section takes into account all relevant **E&S risks and impacts** of a project. It includes those E&S risks and impacts specifically identified in ESS2–ESS10, and any other E&S risks and impacts arising as a consequence of the specific nature and context of a project, including the E&S risks and impacts identified in ESS1, para. 26 (i) and (ii).

F. Mitigation Measures

This section:

- (i) identifies mitigation measures and significant residual adverse impacts that cannot be mitigated and, to the extent possible, assesses the acceptability of those residual adverse impacts. Identifies differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable.
- (ii) assesses the feasibility of mitigating the E&S risks and impacts; the capital and recurrent costs of proposed mitigation measures and their suitability under local conditions; and the institutional, training, and monitoring requirements for the proposed mitigation measures.
- (iii) specifies issues that do not require further attention, providing the basis for this determination.

G. Analysis of Alternatives

This section contains, in relation to the relevant ESSs, feasible alternatives to the proposed project including the without project scenario, as well as feasible alternatives to the project design such as the project location, technology, and other relevant project features that can avoid as a first priority, and/or mitigate the relevant E&S risks and impacts. For each alternative, it quantifies the E&S risks and impacts to the extent possible.

H. Key Measures and Actions for the Environmental and Social Commitment Plan/ Environmental and Social Action Plan

This section summarizes key measures and actions, and the time frame required for the project to meet the requirements of the ESSs. This will be used in developing the ESCP/ESAP.

I. Appendixes

This section:

- (i) lists individuals or organizations that prepared or contributed to the E&S assessment.
- (ii) specifies the references setting out the written materials, both published and unpublished, that have been used.
- (iii) keeps a record of meetings, consultations, and surveys with stakeholders, including those with project-affected persons and other interested parties, as required in ESS10. The record specifies the means of such stakeholder engagement that were used to obtain the views of project-affected persons and other interested parties; a summary of the feedback received, and a brief explanation of how the feedback was taken into account, or the reasons why it was not.
- (iv) includes tables presenting the relevant data referred to or summarized in the main text.
- (v) lists associated reports or plans.

A-2: Indicative Outline of an Environmental and Social Management Plan

1. An ESMP consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation of a project to address adverse **E&S risks and impacts**, offset them, or reduce them to acceptable levels as identified in the E&S assessment. The ESMP also includes the measures and actions needed to implement these measures. The borrower/client will: (i) identify the set of responses to potentially adverse impacts; (ii) determine requirements for ensuring that those responses are made effectively and in a timely manner; and (iii) describe the means for meeting those requirements.
2. Depending on the project, an ESMP may be prepared as a stand-alone document, incorporating the measures and actions identified through the management plans prepared under the other ESSs applicable for a project. Alternatively, proportionate to the scale of the project, these measures may directly be incorporated directly into the project ESCP/ESAP.
3. An ESMP contains the following:

A. Mitigation

Based on the findings of the project E&S assessment where mitigation options are discussed, an ESMP identifies measures and actions in accordance with the **mitigation hierarchy** that reduce potentially adverse E&S impacts to acceptable levels. The plan will include compensatory measures, if applicable. Specifically, this section:

- (i) identifies and summarizes all anticipated adverse E&S impacts and also includes those involving **Indigenous Peoples** or **land acquisition and land use restriction**;
- (ii) describes with technical details each mitigation measure, including the type of impact to which it relates and the conditions under which it is required, e.g., continuously or in the event of contingencies, together with designs, equipment descriptions, and operating procedures, as appropriate;
- (iii) estimates any potential **E&S risks and impacts** of these mitigation measures; and
- (iv) takes into account, and is consistent with, other mitigation plans required for the project, e.g., for land acquisition and land use restriction, Indigenous Peoples, or **cultural heritage**.

B. Monitoring

An ESMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the E&S assessment and the mitigation measures described in the ESMP. Specifically, this section:

- (i) provides specific description, and technical details of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits where appropriate, and definition of thresholds that will signal the need for corrective actions; and
- (ii) provides monitoring and reporting procedures to ensure early detection of conditions that necessitate particular mitigation measures, and to furnish information on the progress and results of mitigation.

C. Capacity Development and Training

To support the timely and effective implementation of E&S project components and mitigation measures, an ESMP draws on the E&S assessment of the presence, role, and capability of responsible parties and/or personnel on site or at the agency and ministry level.

Specifically, an ESMP provides a description of the institutional arrangements, identifying which party is responsible for carrying out the mitigation and monitoring measures, e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training. Social and environmental responsibilities need to be well-defined with clear lines of responsibility and authority and communicated to all personnel involved.

To strengthen E&S management capability in the agencies responsible for implementation, an ESMP recommends the establishment or expansion of the parties responsible, the training of staff and any additional measures that may be necessary to support the implementation of mitigation measures and any other recommendations of the E&S assessment.

D. Implementation Schedule and Cost Estimates

For all three aspects, mitigation, monitoring, and capacity development, an ESMP provides (i) an implementation schedule for measures that must be carried out as part of a project, showing phasing and coordination with overall project implementation plans; and (ii) the capital and recurrent cost estimates and sources of funds for implementing the ESMP.

E. Integration of ESMP with Project

The borrower's/client's decision to proceed with a project, and ADB's decision to support it, are predicated in part on the expectation that the ESMP, either stand-alone or as incorporated into the ESCP/ESAP, will be executed effectively. Consequently, each of the measures and actions to be implemented are clearly specified, including the individual mitigation and monitoring measures and actions and the institutional responsibilities relating to each, and the costs of so doing will be integrated into a project's overall planning, design, budget, and implementation.

A-3: Indicative Outline of an Environmental and Social Audit

1. The aim of an E&S audit is to identify significant E&S issues in existing facilities or activities, and to assess their current status, specifically in terms of meeting the requirements of the ESSs. An E&S audit will include the following:

A. Executive Summary

This section presents a concise discussion of significant findings and sets out recommended measures, actions, and time frames.

B. Legal and Institutional Framework

This section analyzes the legal, governance, and institutional framework for existing facilities or activities, including the issues described in ESS1 and, where relevant, any applicable E&S requirements of existing financiers.

C. Project Description

This section concisely describes existing facilities or activities, and the geographic, environmental, social, and temporal context and any **Associated facilities**. It identifies the existence of any plans already developed to address specific **E&S risks and impacts**, e.g., land acquisition plan, cultural heritage plan, and biodiversity plan. It also includes graphic details, layouts, and plans in sufficient detail, showing the site of existing facilities or activities and the proposed site for the proposed project.

D. Environmental and Social Issues Associated with Existing Facilities or Activities

The audit will consider the key **E&S risks and impacts** relating to existing facilities or activities. This will cover the E&S risks and impacts identified in ESS1–ESS10, as relevant to the existing facilities or activities. The audit will also review issues not covered by the ESSs, to the extent that they represent key E&S risks and impacts in the circumstances of a project.

E. Environmental and Social Analysis

The audit will also assess: (i) the potential E&S risks and impacts of a proposed project, considering the findings of the audit with regard to existing facilities or activities; and (ii) the ability of a proposed project to meet the requirements of the ESSs.

F. Proposed Environmental and Social Measures

Based on the findings of the audit, this section will set out the suggested measures to address such findings. These measures will be included in the ESCP/ESAP for a proposed project. Measures typically covered under this section include the following:

- (i) specific actions required to meet the requirements of the ESSs;
- (ii) corrective measures and actions to mitigate potentially significant **E&S risks and impacts** associated with existing facilities or activities; and
- (iii) measures to avoid or mitigate any potential adverse E&S risks and impacts associated with a proposed project.

A-4: Indicative Outline of an Environmental and Social Management Framework (ESMF)

1. The use of an ESMF will be considered for sector lending, emergency assistance loans, and multitranche financing facilities. ESMF may also be considered for projects in fragile and conflict-affected situations, as set out in ESS1. Para. 4 provides the indicative contents of an ESMF.
2. The level of effort, the amount of analysis, the comprehensiveness, and the level and scope of detail required by the borrower/client in preparing the framework will depend on the nature and scale of the potential **E&S risks and impacts** of a project.
3. An ESMF will also include, where relevant, the assessments related to **land acquisition and land use restriction**, as set out in ESS5, and to **Indigenous Peoples**, as set out in ESS7.
4. An ESMF will include the following:

A. Introduction

This section briefly describes the project, its subprojects, and/or its components, and explains why **E&S assessment and management documents** of some subprojects and/or components cannot be prepared before project approval.

B. Assessment of Legal Framework and Institutional Capacity

This section assesses the adequacy of the applicable national and local laws, regulations, and standards on environmental assessment and management, including applicable international environmental agreements. This section clarifies the objective and relevant principles governing subproject and/or component preparation and implementation.

This section also assesses the adequacy of the borrower's/client's institutional capacity and identifies the capacity development needs of the agency responsible for implementing the requirements under the relevant ESSs and ESCP/ESAP.

C. Anticipated Environmental and Social Impacts

This section provides information on project activities to be supported, and their likely **E&S risks and impacts**. This will include information on the potential area in which subprojects and/or components will be located and explain the general anticipated impacts of the subprojects and/or components to be financed under the proposed project.

D. Environmental Assessment for Subprojects and/or Components

The section provides a plan for carrying out an E&S assessment for future subprojects and/or components. This includes requirements for (i) E&S screening and classification; and (ii) preparation of an E&S assessment (identification of impacts and associated mitigation measures) and management documents, as relevant. This section may also outline specific E&S criteria to be used for subproject selection based on likely **E&S risks and impacts** or negative lists for procurement.

An ESMF will provide guidance on the requirements for the assessments of the future subprojects and/or components, which will include adequate information (i) on the area in which the subprojects are expected to be sited, including any potential environmental and social vulnerabilities of the area, (ii) the anticipated risks and impacts and (iii) the planned, potential, or likely mitigation measures, to enable an evaluation of the adequacy of the mitigation measures.

E. Consultation, Information Disclosure, and Grievance Mechanism

This section establishes a framework for ensuring arrangements are made for information disclosure to and **meaningful consultation** with **project-affected persons** and other **stakeholders** and for addressing grievances in the future subprojects and/or components as required by ESS10.

F. Institutional Arrangement and Responsibilities

This section specifies the responsibilities and authorities of the borrower/client, ADB, and government agencies in relation to the preparation, implementation, progress review, and clearance of **E&S assessment and management documents** prepared for future subprojects and/or components. The section will also provide estimates of the staffing requirements and capacity development program, where necessary, along with the cost estimates for implementing the environmental assessment and review framework, as well as budgetary requirements.

G. Monitoring and Reporting

This section specifies monitoring and reporting arrangements as required by ESS1 and ESS10.

A-5: Indicative Outline of Environmental and Social Management System (ESMS)

1. An ESMS will consist of: (i) an E&S policy; (ii) internal organizational capacity and competency; (iii) due diligence processes/procedures to identify **E&S risks and impacts** of an FI's borrowers'/investees' activities and transactions or a CF Client's activities and transactions financed by ADB; (iv) monitoring, reviewing, and reporting of activities, transactions, and/or portfolio; and (v) **stakeholder** engagement and grievance mechanism. The following are indicative contents of each component, which will be detailed proportionate to the **E&S risks and impacts** of the activities, transactions, and/or portfolio supported by ADB financing:

A. Environmental and Social Policy

This component describes the overarching E&S policy, to be endorsed by senior management, defining the E&S objectives, principles, and E&S requirements and standards that will apply to manage the **E&S risks and impacts** associated with the [borrower's/client's] [client's] activities and transactions.

B. Internal Organizational Capacity and Competency

This component describes an organizational structure that defines the roles, responsibilities, and authority to implement an ESMS. This requires designating qualified personnel and communicating well-defined E&S responsibilities to relevant personnel.

C. E&S Risk Identification, Assessment, and Management Planning–Due Diligence Processes

- (i) This component establishes the processes to identify, assess, and manage **E&S risks and impacts** associated with an FI's or a CF Client's activities and transactions financed by ADB, and where appropriate, will require an ESAP.
- (ii) The FI's E&S due diligence (FI ESDD) will: (i) review relevant documents and information provided by an FI's borrower/investee; (ii) review E&S risks and impacts of the activities against predetermined criteria such as ADB's Prohibited Investment Activities List, applicable ESSs (for **higher risk transactions**), and the **host country's applicable laws**; (iii) conduct site visits, as appropriate; and (iv) review the track record of an FI's borrower/investee on E&S issues.
- (iii) The CF Client's E&S due diligence (CF Client ESDD) will identify and assess the E&S risks and impacts against applicable ESSs and the **host country's** applicable laws (for activities and transactions financed by ADB classified as *High, Substantial, or Moderate Risk*), and review against predetermined criteria such as ADB's Prohibited Investment Activities List.
- (iv) This component requires documentation of the findings of the FI ESDD or CF Client ESDD in a report or internal records, including recommendations on whether to proceed with financing and any conditions of investment, which will be reflected in an ESAP.

D. Monitoring, Reviewing, and Reporting

This component establishes monitoring procedures to review the progress with the ESAP and the implementation of the ESMS. The extent and frequency of monitoring will be proportionate to the **E&S risks and impacts** of the activities and transactions as identified through the FI ESDD or CF Client ESDD, but will be done at least annually.

E. Stakeholder Engagement and Grievance Mechanism

This component:

- (i) describes the procedure for **stakeholder** engagement, including methods to receive, register, screen, analyze, and assess, track, and if necessary, respond to and act upon, external inquiries, views, opinions, concerns (real or perceived), requests for information and complaints from the public regarding the operations, investment activities or in the case of an FI, an FI's borrower/investee in its portfolio. Such a procedure will also consider the confidentiality of information. The complexity of such a procedure will be proportionate to the nature and scale of the **E&S risks and impacts** associated with an FI's or CF Clients' activities and transactions.
- (ii) provides publicly available and easily accessible channels to receive communications and requests from the public for information regarding E&S issues.
- (iii) assesses the relevance of the external communication received and determine the level of response and actions required, if any.
- (iv) requires a grievance mechanism if an FI's or a CF Client's activities and transactions are likely to generate adverse E&S risks and impacts on **project-affected persons** or the environment.

For those FI that support **higher risk transactions** and CF Clients that support activities and transactions with *high, substantial, and moderate risks*, if ADB's review identifies any gaps between the existing ESMS of an FI or CF Client and the applicable ESSs, ADB and the FI or CF Client will reach an agreement on a corrective action plan that sets out time-bound measures and associated budget needs to implement such a plan. Such a corrective action plan will be reflected in the corporate ESMS and in an ESAP, as necessary. Where ADB due diligence has determined that an FI or a CF Client does not have adequate in-house capacity, an ESAP will describe how an FI or a CF Client will strengthen its in-house capacity or if that is not possible, retain qualified specialists to develop and implement an ESMS.



Engineers working at the Lahendong Geothermal Plant in Manado, Indonesia.

Labor and Working Conditions



ESS2

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 2 recognizes that the borrower/client can advance the social and economic well-being of **project workers** through employment generation and that project workers play a major role in delivering quality projects. The International Labour Organization sets and promotes standards and fundamental principles and rights at work. ESS2 promotes equitable standards for labor and working conditions and good human resources management and relationships that support respect for project workers.

II. OBJECTIVES

- a. Promote fair treatment, nondiscrimination, and equal opportunity for **project workers**, including those who are **disadvantaged or vulnerable**.
- b. Prevent and address any forms of violence and harassment, bullying, intimidation and exploitation of project workers, including any forms of **sexual exploitation, abuse, and harassment**.
- c. Support the principles of freedom of association and collective bargaining.
- d. Prevent the use of **forced labor** and **child labor**.
- e. Promote, develop, and maintain transparent project worker relationship management.
- f. Provide project workers with accessible means to raise workplace concerns.

III. SCOPE OF APPLICATION

2. The applicability of ESS2 is established during the environmental and social (E&S) assessment process described in ESS1. The scope of application of ESS2 depends on the type of employment and nature of the employment relationship between the borrower/client and **project workers**.

3. Project workers include:

- (i) **direct workers**—workers engaged or employed directly by a borrower/client (including the project proponent and the project executing and implementing agencies) to work on a project. The requirements in paras. 5–35 and 47–48 apply;
- (ii) **contracted workers**—workers engaged or employed by a third-party (a party or entity that is not a borrower/client and including contractors, subcontractors, brokers, agents or intermediaries) to perform work and/or provide service processes essential for a specific project activity without which a project or project activity cannot continue, regardless of location. The requirements in paras. 5–35 (applied as described in para. 36), 36–37 and 47–48 apply;

- (iii) **primary supply workers**—workers engaged or employed by a borrower’s/client’s primary suppliers. **Primary suppliers** are suppliers who, on an ongoing basis, provide directly to a project goods or materials essential for production and/or service processes that are necessary for a specific project activity and without which a project or project activity cannot continue. The requirements in paras. 20–26 and 43–48 apply to primary supply workers; and
- (iv) **community workers**—workers engaged or employed by a borrower/client from a community or communities in a project-affected area for community labor. The requirements in paras. 38–41 and 47–48 apply.

4. Where government civil servants are working with a project, whether full-time or part-time, they will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement, unless there has been an effective legal transfer of their employment or engagement to the project. ESS2 will not apply to such government civil servants, except for the provisions of paras. 20–26.

IV. GENERAL REQUIREMENTS

5. The borrower/client will require that all **project workers**, including contractors and subcontractors, engaged on a project operate in a manner consistent with the requirements of this ESS2 and the requirements under the **host country’s applicable laws** related to labor and **social security**, including those laws implementing **host country** obligations under **international instruments**. Occupational health, safety and security requirements are set out in ESS4.

A. Working Conditions and Management of the Relationship with Project Workers

6. The borrower/client will, in consultation with ADB, maintain or adopt and implement a project labor management plan. This plan will identify the different types of **project workers** engaged by the project and set out how they will be managed based on the employment relationships. The plan will also set out the way in which project workers will be managed, in accordance with the requirements of ESS2 and the **host country’s applicable laws**, and, if relevant, **good international practice (GIP)**. The plan will address how ESS2 will apply to different categories of project workers and how the borrower/client will require third parties to manage their workers in accordance with paras. 36–37. It will be proportionate to the size, needs, and risks involved in a project’s workforce. The borrower/client will ensure that a project’s labor management plan is accessible, clear, and communicated to project workers in a language and format that they will understand.

7. If there are significant changes to a project that will result in additional risks for and impacts on **project workers**, the borrower/client will conduct a **meaningful consultation** with project workers, and/or workers’ representatives and their organizations, where applicable and review and update the project’s labor management plan where necessary to indicate how such risks and impacts will be mitigated.

B. Terms and Conditions of Work

8. The borrower/client will ensure that, at the beginning of the working relationship, **project workers** are provided with written contracts and/or other forms of information and documentation that contain clear and understandable terms and conditions of their employment, in their local language. The contracts, and/or information and documentation will set out the project workers’ rights that are not less favorable than those required under the **host country’s applicable laws** and any applicable collective agreements, including rights related to hours of work, wages, overtime, compensation benefits, and safe and healthy work environment, as well as those arising from the requirements of ESS2 and ESS4. The borrower/client will ensure up-to-date employment records are kept that respect the rights of workers to privacy and data protection. The borrower/client will ensure that project workers are provided with additional information and documentation when any material changes to their terms or conditions of employment occur.

9. The borrower/client will establish and maintain two-way communications with **project workers** in a language and format that project workers understand and which provide: (i) adequate information on changes that might affect them, particularly any anticipated and unanticipated changes related to a project as they occur; and (ii) the opportunity for project workers to provide comments and concerns, including how to raise grievances as specified in paras. 31–35.

10. The borrower/client will ensure that **project workers** are: (i) paid on a regular basis including overtime where applicable; (ii) provided with adequate periods of rest per week, annual holidays, and sickness, maternity, and family leave, as set out in written contracts or other forms of information and documentation and/or otherwise in accordance with a project’s labor management plan. Deductions from payment of wages will only be made as specified in a project’s labor management plan or if allowed by the **host country’s applicable laws**, and the borrower/client will ensure that project workers are informed of the conditions under which such deductions will be made.

11. The borrower/client will ensure that **project workers** receive a written notice of termination of employment and details of severance payments in a timely manner, and in accordance with the requirements of the **host country’s applicable laws** and a project’s labor management plan. The borrower/client will ensure that all wages, **social security** benefits, pension contributions, and any other entitlements earned or accrued will be paid on or before termination of the working relationship, either directly to the project workers or, where appropriate, to a person designated by such project workers. Where payments are made for the benefit of project workers, the borrower/client will ensure that project workers are given notice in advance of such payments and provided with evidence of them.

C. Nondiscrimination and Equality of Opportunity and Treatment

12. The borrower/client will: (i) not make project employment decisions on the basis of personal characteristics unrelated to inherent job requirements, particularly for those **project workers** who are **disadvantaged or vulnerable**; (ii) base the employment relationship on the principle of equal opportunity and fair treatment; and (iii) not discriminate with respect to any aspect of the employment relationship, such as recruitment and hiring, job assignment, compensation (wages and benefits), working conditions, and terms of employment, including reasonable adaptation of the workplace related to gender, disabilities, access to training, promotion, termination of employment, retirement, and disciplinary practices.

13. The following measures will not be considered discrimination: those measures of protection or assistance to remedy past discriminatory actions; measures to promote local employment opportunities; and selection for a particular job based on the inherent requirements of the job that are in accordance with the **host country’s applicable laws** and ESS2.

14. The borrower/client will implement appropriate measures to protect and assist **disadvantaged or vulnerable project workers**. Such measures may be necessary only for specific periods of time, depending on the circumstances of the project worker and the nature of the disadvantage or vulnerability. Such measures of protection and assistance will not be deemed as discrimination, provided they are consistent with the **host country’s applicable laws**, a project’s labor management plan, and ESS2.

15. The borrower/client will take appropriate measures to prevent and address in a project context any form of violence and harassment, bullying, intimidation, and/or exploitation, including any form of **sexual exploitation, abuse, and harassment (SEAH)**.

V. SPECIFIC REQUIREMENTS

A. Project Worker Accommodation

16. Where accommodation is provided for **project workers**, the borrower/client will include in a project’s labor management plan specific requirements on the quality and management of the accommodation and provision of basic services. The accommodation services will be provided in a manner consistent with the requirements of ESS4, principles

of nondiscrimination and equal opportunity, including prevention of **SEAH**, and with relevant **GIP**. The borrower/client will ensure that project workers' accommodation arrangements will not restrict their freedom of movement or of association.

B. Freedom of Association and Collective Bargaining

17. In countries where the **host country's applicable laws** recognize workers' rights to form and to join workers' organizations of their choosing and to bargain collectively, the borrower/client will inform **project workers** of these rights, and a project will be implemented in accordance with such laws. The borrower/client will not discriminate or retaliate against **project workers** who act as representatives, or who participate or seek to participate in such organization or in collective bargaining, and the borrower/client will not interfere in the formation or functioning of worker organizations. The borrower/client will engage with such workers' representatives and their organizations, where applicable, and provide them with information needed for meaningful negotiation in a timely manner.

18. Where the **host country's applicable laws** restrict the establishment or functioning of workers' organizations, the borrower/client will not restrict **project workers** from developing alternative mechanisms to represent their interests and protect their rights regarding working conditions and terms of employment, appropriate to the size and needs of a project's workforce. The borrower/client will not discriminate or retaliate against project workers who participate, or seek to participate, in such workers' organizations and alternative mechanisms. The borrower/client will neither seek to influence nor control these alternative mechanisms.

19. Where the **host country's applicable laws** are silent, the borrower/client will not discourage **project workers** from electing workers' representatives, forming or joining workers' organizations of their choosing, or from bargaining collectively, and will not discriminate or retaliate against project workers who participate, or seek to participate, in such organizations and collective bargaining. The borrower/client will engage with such workers' representatives and their organizations, where applicable, and provide them with information needed for meaningful negotiation in a timely manner.

C. Protecting the Work Force

1. Child Labor

20. The borrower/client will not employ or engage a child under the age of completion of compulsory schooling, and in any case not under the minimum age of 15 in connection with a project, unless the **host country's applicable laws** specify a higher age. The borrower/client will specify the minimum age for employment or engagement in connection with a project in the project's labor management plan.

21. The borrower/client will not employ or engage a child over the minimum age and under the age of 18 in connection with a project in a manner that is economically exploitative, that interferes with the child's education, or that is harmful to the child's health or physical, mental, spiritual, moral, or social development. The borrower/client will not employ or engage a person under the age of 18 for any type of hazardous work. Hazardous work is any type of employment or work that, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of children. **Hazardous child labor** includes work and activities (i) with exposure to physical, psychological, or **SEAH**; (ii) occurring underground, underwater, working at heights, or in confined spaces; (iii) with dangerous machinery, equipment, or tools, or involving handling of heavy loads; (iv) in unhealthy environments exposing the worker to hazardous substances, agents, processes, temperatures, noise, or vibration damaging to health; or (v) under difficult conditions such as long hours, late night, or confinement by employer.

22. The borrower/client will ensure that any **project workers** identified as over the minimum age and under the age of 18 will be subject to appropriate assessment of their physical health prior to commencing work and to regular monitoring of health, working conditions, hours of work, and other requirements of ESS2.

23. The borrower/client may engage a child who is 13 to 15 years of age for light work that will not (i) be harmful to their health or development; and (ii) prejudice their attendance at school, their participation in vocational orientation or training programs approved by the competent government authority, or their capacity to benefit from the instruction received, if the **host country's applicable laws** justify engaging such a child is consistent with the applicable international convention and ADB agrees.

24. Where a child is engaged in a project, regardless of age, the borrower/client will take appropriate measures to prevent and address any form of violence and harassment, bullying, intimidation, and/or exploitation, including any form of **SEAH**, and ensure access to appropriate grievance mechanism. If cases of **child labor** are identified, the borrower/client will promptly take corrective actions to eliminate such practice from a project.

2. Forced Labor

25. The borrower/client will not employ **forced labor** in connection with a project. Forced labor is all work or service which is exacted from any person under the threat of force or penalty and for which the person has not offered themselves voluntarily. This prohibition covers any involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements. Work is performed on a voluntary basis when it is done with the free and informed consent of a **project worker**, and whose consent can be revoked freely by the project worker throughout the employment relationship. The borrower/client will assess the authenticity of a project worker's free and informed consent, and confirm that no external constraint or indirect coercion has been carried out, either by an act of the competent government authorities or by an employer's practice.

26. The borrower/client will not engage any trafficked persons in connection with a project. **Trafficking in persons** means the recruitment, transportation, transfer, harboring, or receipt of persons by means of the threat or use of force, or other forms of coercion, abduction, fraud, deception, abuse of power, or of a position of vulnerability, or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purposes of exploitation. If **forced labor** or other exploitative forms of labor practices are identified, the borrower/client will promptly take corrective actions to eliminate such practices from a project.

3. Collective Dismissal

27. The borrower/client will provide advance notification to ADB of any planned **collective dismissal**.

28. Prior to implementing any **collective dismissal** in connection with a project, the borrower/client will carry out an analysis of alternatives to the planned workforce reduction. If the analysis does not identify any alternatives that are **technically and financially feasible**, the borrower/client will develop and implement a labor restructuring plan to assess, reduce, and mitigate the adverse impacts of the workforce reduction on **project worker** based on the principle of nondiscrimination. The borrower/client will engage in **meaningful consultation** with project workers, workers' representatives and their organizations, if any, on the analysis of alternatives or if no such alternatives exist, on the labor restructuring plans. The borrower/client will ensure that the process to identify project workers who will be subject to collective dismissal is transparent, based on fair, objective, and consistently applied criteria, and subject to a worker's grievance mechanism.

29. In cases of a **collective dismissal**, a project's labor management plan will be revised to incorporate the plan for collective dismissal and associated measures to be implemented by the borrower/client.

30. In carrying out any **collective dismissal**, the borrower/client will comply with a project's labor restructuring and labor management plans on collective dismissal. The borrower/client will ensure notification to competent government authorities, where required, and provision of information to, and **meaningful consultation** with, **project workers** and/or workers' representatives and their organizations, if applicable. The borrower/client will ensure that severance pay

and all wages, **social security** benefits, pension contributions, and any other entitlements earned or accrued will be paid (i) to the project workers on or before termination of the working relationship; (ii) where appropriate, for the benefit of the project workers; or (iii) in accordance with a timeline set out in any applicable agreement reached through collective bargaining, if applicable. Where payments are made for the benefit of project workers, the borrower/client will ensure that they are provided with evidence of such payments.

4. Grievance Mechanism

31. The borrower/client will establish, at the earliest opportunity, and implement a worker's grievance mechanism to respond and manage workplace concerns and grievances. This worker's grievance mechanism under ESS2 will be a separate grievance mechanism from the grievance mechanism described in ESS10 for a project. The worker's grievance mechanism will:

- (i) be proportionate to the nature and scale and the potential **E&S risks and impacts** of a project and related workplace concerns and grievances;
- (ii) be easily accessible to **project workers**, and/or workers' representatives, and their organizations, where applicable;
- (iii) respond to concerns and grievances promptly and effectively, and using an understandable and transparent process that provides timely feedback to those concerned;
- (iv) include an appropriate level of representation from employer, project workers, workers' representatives and their organizations, where applicable; and
- (v) allow anonymous complaints to be raised and addressed.

32. The borrower/client will inform **project workers**, workers' representatives, and their organizations, where applicable, about the worker's grievance mechanism and the measures put in place to protect them against any threat or occurrence of **reprisals** for its use at the earliest opportunity. The worker's grievance mechanism may utilize existing grievance mechanisms, which will be supplemented as needed with project-specific arrangements to meet the requirements of ESS2.

33. The borrower/client will establish and implement a procedure to regularly monitor the use of the worker's grievance mechanism. Where monitoring indicates that the worker's grievance mechanism requires modification to make it appropriately responsive to **project workers'** needs, the borrower/client will ensure that such modifications are made and communicated to project workers in a timely manner and in a language and format they will understand.

34. The worker's grievance mechanism will not impede access to other judicial or administrative remedies that might be available under the contractual agreement or under the law, or through existing arbitration or mediation procedures, or substitute for grievance mechanisms provided through workers' organizations or collective agreements. The worker's grievance mechanism will not impede project worker's access to grievance mechanism under ESS10.

35. The borrower/client will also establish confidential reporting channels for **SEAH** incidents in the grievance mechanism as early as possible specifically to handle reports of SEAH and provide referral systems to support SEAH survivors, following a survivor-centered approach.

5. Contracted Workers

36. The borrower/client will identify risks associated with the recruitment, engagement, and demobilization of **project workers** by third-party employer; develop proportionate procedures; and implement a contractor management plan for managing and monitoring the performance of such third-party employer in relation to a project and requirements of paras. 5–35 of ESS2. The borrower/client will verify that a third-party employer who engages **contracted workers** has appropriate human resources policies and labor management systems and procedures that allow them to operate consistently with ESS2. The borrower/client will make reasonable efforts to ascertain that such third-party employer is legitimate and reliable based on past performance and have knowledge and skills to perform their project tasks in accordance with their contractual commitments. The borrower/client will incorporate the requirements of paras. 5–35 of ESS2, the health and safety requirements of ESS4,

and all applicable aspects of the environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP) into contractual agreements with a third-party employer and require that the third-party employer include equivalent requirements into its contractual agreements with contracted workers. The borrower/client will monitor compliance with such contractual agreements.

37. The borrower/client will ensure that all **contracted workers** have access to a grievance mechanism. Where a third-party employer is not able to provide a grievance mechanism to such workers, the borrower/client will provide the worker's grievance mechanism under paras. 31–35 to contracted workers.

6. Community Workers

38. **Community workers** are those who on a voluntary basis contribute their labor to a project that is designed and implemented for their own and immediate benefit or for the immediate benefit of the community they belong to, and is based on **meaningful consultation** with the community. Such project may include the use of community workers in a number of different circumstances, including where labor is provided by the community as a contribution to the project, or where the projects is designed and implemented for the purpose of fostering community-driven development, providing a social safety net such as food-for-work programs, or providing targeted assistance in fragile and conflict-affected situations.

39. Where a project involves the provision of labor by **community workers**, the borrower/client will include measures in a project's labor management plan to determine whether workers are performing work on a voluntary basis as an outcome of individual or community agreement. The measures to be included in a project's labor management plan will reflect (i) the individual or community agreement; (ii) the specific project activities in which the community workers are engaged; and (iii) the nature of the potential risks to and impacts on the community workers. The borrower/client will ensure that a project's labor management plan sets out the roles and responsibilities for supervising and monitoring the labor and working conditions of community workers.

40. Those **community workers** engaged for a project will have the same rights and responsibilities of other **project workers**, including access to a grievance mechanism. Any community workers contracted to perform work for wages and benefits are **contracted workers**. The borrower/client will ensure that the allowances in-kind to compensate community workers are appropriate for the personal use and benefit of the community worker.

41. The borrower/client will assess whether there is a risk of **child labor** or **forced labor** among **community workers**, identifying those risks consistent with paras. 20–26. If cases of child labor or forced labor among community workers are identified, the borrower/client will promptly take corrective action to remove such practices from a project and address such incidents.

7. Migrant Workers

42. The borrower/client will identify **project workers** who have migrated from one country to another or from one part of the country to another for purposes of employment, and ensure that they are engaged on terms and conditions of work that are not less favorable than those for nonmigrant project workers carrying out the same work, as set out in paras. 5–35. The borrower/client will implement appropriate measures to protect and assist those migrant project workers who may be **disadvantaged or vulnerable** in line with para. 14. The borrower/client will ensure that all migrant project workers have access to a worker's grievance mechanism.

8. Primary Suppliers and Primary Supply Workers

43. As part of the E&S assessment process described in ESS1, the borrower/client will identify and assess the presence or risks of **child labor**, **forced labor**, and serious safety issues which may arise in relation to **primary suppliers**.

44. Where significant risks of **child labor** or **forced labor** are identified in relation to **primary suppliers**, the **E&S assessment and management document**, such as the labor management plan, will set out the roles and responsibilities to monitor and manage such risks, including requiring primary suppliers to undertake appropriate actions and measures. Where there is a significant risk of child labor or forced labor in relation to **primary supply workers**, the borrower/client will require the primary supplier to assess and identify those risks consistent with paras. 20–26, to the satisfaction of ADB. Where any significant changes or new risks or incidents of child or forced labor are identified, the borrower/client will require the primary supplier to address such risks or incidents.


45. Where there is a significant risk of serious safety issues in relation to **primary supply workers**, the borrower/client will require the primary supplier to introduce procedures and mitigation measures to address such safety issues. The borrower/client will periodically review such procedures and mitigation measures to ascertain their effectiveness.

46. The ability of a borrower/client to address the risks in paras. 44 and 45 will depend on the borrower's/client's level of control or influence over its **primary suppliers**. The borrower/client will be required to demonstrate the extent to which it cannot exercise control or influence over a primary supplier by providing details of the considerations for such determination, which may include legal, regulatory, and institutional factors. Where corrective action to bring a project into compliance with ESS2 is not possible, the borrower/client will, within a reasonable period of time, shift a project's primary suppliers to suppliers that can demonstrate that they have the capacity to comply with ESS2.

VI. MONITORING AND DISCLOSURE

47. Depending on the level of risks and impacts with regard to labor and working conditions, the borrower/client will prepare and disclose a labor management plan as a stand-alone plan or as part of the project environmental and social management plan in accordance with ESS1 and ESS10. The final or updated **E&S assessment and management documents**, if any, will also be submitted to ADB for disclosure.

48. The borrower/client will monitor the implementation of the requirements of the **E&S assessment and management document** in accordance with the requirements in the ESCP/ESAP and ESS1, ESS2, and ESS10.

A photograph of a woman in a textile factory. She is wearing a pink headscarf and a blue patterned dress with a pink vest. She is smiling and looking towards the camera. In the background, other workers in pink headscarves are visible at sewing machines. The factory has a high ceiling with industrial lighting and equipment.

Textile factory worker in the “Turkmenbashi Tekstil Kompleksi”—the biggest textile factory in Central Asia—with 95% women staff.





Maintenance crew, Sunny Bangchak solar farm,
Chaiyabhum Province, Thailand.

Resource Conservation and Pollution Prevention



ESS3

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 3 recognizes that economic and social activity often generates physical, biological, and/or chemical **pollution to air**, water, and **soil** and consumes finite resources at levels that may threaten people, the environment, and the **ecosystem services** the environment provides at the local, national, and global levels.
2. A key feature of ESS3 is that the borrower/client will apply a **circular economy approach** through resource conservation and **pollution prevention**.
3. ESS3 is also based on the **precautionary approach**, the polluter pays principle, and the principle of rectification of environmental harm at the source. Another foundational principle is the application of the **mitigation hierarchy**.

II. OBJECTIVES

- a. Promote the sustainable use of resources, including energy, water, **soil**, and raw materials.
- b. Avoid and, where avoidance is not possible, minimize adverse impacts on human health and the environment from all types of **pollution** generated from project activities.
- c. Avoid and, where avoidance is not possible, minimize project-related emissions and discharges which cause pollution to environmental media, including air, water, and soil.
- d. Avoid and, where avoidance is not possible, minimize generation of all types of **hazardous waste** and **nonhazardous waste** and when such waste is generated, manage it appropriately.
- e. Avoid, minimize, and manage the risks and impacts associated with the use, storage, haulage, application, and production of **hazardous chemicals, substances, and materials**.
- f. Avoid, minimize, and manage the risks and impacts associated with pesticide use.

III. SCOPE OF APPLICATION

4. The applicability of ESS3 is established during the environmental and social (E&S) assessment process described in ESS1. Resource conservation and **pollution prevention** and/or management will be a primary consideration during the concept design, preparation, and implementation phases of a **project cycle**.

IV. REQUIREMENTS

5. The borrower/client will consider ambient conditions, apply measures for resource conservation and efficiency, and **pollution prevention** and management in accordance with the **mitigation hierarchy** and maintain the technical and financial feasibility of a project.

6. The borrower/client will ensure that measures are proportionate to the nature and scale of the potential **E&S risks and impacts** associated with a project, and that they are consistent with the **host country's applicable laws**, including those laws implementing **host country** obligations under **international instruments**, and the requirements of the relevant **good international practice (GIP)** or other internationally recognized standards such as the World Bank Group's **Environmental, Health, and Safety Guidelines (EHSGs)**. Where the requirements of the host country's applicable laws differ from such internationally recognized standards, the borrower/client will achieve or implement whichever is more stringent or protective of the **project-affected persons** and/or the environment.

7. Where the borrower/client proposes less stringent standards than those provided in the applicable **GIP**, as required under ESS3, the borrower/client will provide detailed assessment and justification for the proposed less stringent standards. The borrower/client will demonstrate, to the satisfaction of the ADB, that the choice of any less stringent standard is consistent with the objectives of ESS3 and the applicable GIP and is unlikely to result in significant environmental or social harm.

A. Resource Conservation and Efficiency

8. ESS3 emphasizes safeguarding the life-supporting capacity of air, water, **soil**, and **ecosystems**. For a project, the borrower/client will implement **technically and financially feasible** measures for improving resource conservation, minimizing the intensity of resource use, and ensuring efficient consumption of energy, water, soil, and raw materials, as well as other resources.

9. For projects involving existing facilities or activities, an E&S audit will be undertaken consistent with the requirements set out in ESS1 for existing facilities, and the recommendations of the E&S audit will be implemented. For any modifications to or new components in existing facilities or for new projects financed by ADB, the borrower/client will comply with the requirements of ESS3.

10. The borrower/client will ensure that the measures integrate a **circular economy approach** into all aspects of a project, including raw material use, waste generation, minimization, and management. For a project with high resource demands, the borrower/client will minimize resource use through the evaluation of alternatives, and undertake an early stage best available technologies (BAT) study, benchmarking the project against relevant global comparators, where such data are available, to establish the relative level of efficiency and intensity of resource use.

11. Where **technically and financially feasible**, the borrower/client will obtain an appropriate system of independent certification to demonstrate the sustainable management of resources, including the use of **living natural resources**, in accordance with the requirements of ESS6.

B. Energy Use

12. The borrower/client will seek to contribute to environmental sustainability through the efficient use of energy. When a project is a potentially significant user of energy, in addition to applying the resource conservation and efficiency requirements of ESS3, the borrower/client will adopt measures specified in the sector-specific standards such as **EHSGs** to optimize energy usage, where **technically and financially feasible**. For such a project, the borrower/client will also consider the reuse of waste energy, applying a **circular economy approach**, or the use of renewable energy or other low-carbon alternatives, as appropriate.

C. Water Consumption

13. When a project is a potentially significant user of water or will have potentially significant adverse impacts on water quality and/or availability to communities, other users, and the environment, in addition to applying the resource conservation and efficiency requirements of ESS3, the borrower/client will:

- (i) avoid or, where avoidance is not possible, minimize water consumption so that a project's water use does not have significant adverse impacts on communities, other users, and the environment;
- (ii) identify and implement opportunities for improvement in water use efficiency, including water reuse, where appropriate;
- (iii) conduct, as applicable, water balance studies or mathematical modeling as part of the project development and design and during the E&S assessment process described in ESS1;
- (iv) assess annual water use or intensity on a project, submit annual monitoring reports on project water use, and develop and implement a continuous improvement plan to reduce total water use or intensity, whichever measure is agreed with ADB;
- (v) benchmark project operations to applicable standards for water use efficiency; and
- (vi) only as a last resort, implement water consumption **offsets** to maintain total demand for water resources within the available supply.

D. Raw Material Use

14. When a project is a potentially significant user of raw materials, in addition to applying ESS3 and the requirements under the **host country's applicable laws**, the borrower/client will consider and adopt measures appropriate for a project, such as those specified in the **EHSGs**, including, but not limited to, preference for reuse of raw materials and use of recycled materials where appropriate, the use of existing legally-approved quarries or borrow pits where necessary, and the minimization of transportation.

E. Soil

15. ESS3 recognizes **soil** as an important resource. The borrower/client will protect soils by implementing measures to avoid and, where avoidance is not possible, minimize soil degradation and erosion in a project.

16. For an agriculture project, the borrower/client will, where **technically and financially feasible**, implement measures consistent with sustainable and/or **regenerative farming** by protecting and enhancing **soil** quality and, in cases where soil is already degraded, restoring it.

F. Pollution Prevention and Management

17. As part of the E&S assessment process described in ESS1, the borrower/client will identify a project's sources, types, and fate and transport of pollutants, estimate or quantify, where possible, the pollutant load, and examine project alternatives that avoid or minimize emissions and discharges.

18. The borrower/client will avoid the release of pollutants as a first priority or, where avoidance is not possible, minimize and control the intensity and concentration of their release using performance levels, measures, and standards specified in the **host country's applicable laws**, and/or internationally recognized standards in **GIP**. The borrower/client will avoid the release of pollutants to air, water, and **soil** due to routine, nonroutine, and accidental circumstances, and with the potential for local, national, and/or transboundary impacts.

19. To address potential adverse **pollution** impacts, the borrower/client will consider factors that include: (i) existing ambient conditions and existing relevant pollution prevention initiatives, projects, and/or programs; (ii) the remaining

assimilative capacity of the physical, biological, and socioeconomic environment in areas already impacted by pollution; (iii) existing and future land use; (iv) a project's proximity to areas of high sensitivity for E&S receptors; (v) the potential for **cumulative impacts** with uncertain and/or irreversible consequences; and (vi) impacts of **climate change**.

20. Where a project involves **historical pollution** that could pose **E&S risks and impacts**, the borrower/client will undertake, through an audit methodology acceptable to ADB, an environment, health, and safety risk assessment of the existing **pollution** to determine an appropriate course of action. If such action involves remediation of a site, the borrower/client will ensure that it is appropriately undertaken in accordance with ESS3.

21. When a project has the potential to constitute a significant source of emissions or discharges in an already degraded area, the borrower/client will adopt measures that avoid and, where avoidance is not possible, minimize further degradation of such area. The borrower/client will ensure that these measures consider alternatives to a project's location, design, and processes as a first priority, and emissions **offsets** as a last resort.

G. Management of Hazardous and Nonhazardous Waste

22. Following a **circular economy approach** in a project, the borrower/client will, as a first priority, avoid the direct or indirect generation of **hazardous waste** and **nonhazardous waste**, including plastics, e-waste, and other nonbiodegradable waste. Where significant quantities of waste generation are anticipated and avoidance is not possible, the borrower/client will undertake a waste estimation study for the implementation phase of the **project cycle**. The study will inform the development of proposed measures to apply the waste management hierarchy to minimize the generation of waste and reuse, recycle, and recover waste in a manner that is safe for human and **ecosystem** health, as defined by the **host country's applicable laws** or **GIP**, whichever is more stringent or protective of the **project-affected persons** or the environment. Where waste cannot be reused, recycled, or recovered, the borrower/client will treat, destroy, or dispose of it in an environmentally sound and safe manner that includes appropriate control of emissions, discharges, and residues resulting from the handling and processing of the waste material.

23. Where inert construction waste is generated in a project, the borrower/client will explore opportunities for reuse in accordance with the **circular economy approach**, and where reuse is not possible, ensure that such waste is disposed of in compliance with the **host country's applicable laws**. Where necessary, because of the volume, nature, or toxicity of the waste, the borrower/client may be required to undertake additional environmental assessment for disposal sites in accordance with the process described in ESS1.

24. If project-generated waste is considered hazardous as specified in the **host country's applicable laws**, and **international instruments** to which the **host country** is a signatory, the borrower/client will comply with requirements for its management including storage, transportation, and disposal set out in such laws or agreements including those relating to transboundary movement. When **hazardous waste** management is conducted by third parties, the borrower/client will use contractors that are licensed, permitted, or approved by the competent government authorities to conduct hazardous waste management.

25. For **hazardous waste** and **nonhazardous waste** disposal in a project, the borrower/client will use licensed disposal sites, preferentially ones that are designed, constructed, and demonstrated as being operated to applicable **GIP**. Where licensed disposal sites do not meet such standards or do not exist, the borrower/client will assess alternative disposal options that comply with these standards of the applicable GIP, including the possibility of developing its own recovery or disposal facilities at a project site or elsewhere.

26. When project-generated waste is, or is planned to be, transferred off-site to a licensed disposal site and/or waste disposal is managed by third parties, the borrower/client will use contractors that are licensed by the competent government authorities. The borrower/client will also obtain chain of custody documentation for the transfer to the final destination, unless such documentation is not available, and its absence is justified to the satisfaction of ADB.

H. Management of Hazardous Chemicals, Substances, and Materials

27. For a project, the borrower/client will avoid the manufacture, trade, and use of **hazardous chemicals, substances, and materials** which may include persistent organic pollutants, chemical fertilizers, and chemicals other than pesticides, subject to or proposed for international bans, restrictions, or phaseouts, unless for an acceptable purpose as defined by applicable **international instruments**, or if an exemption has been obtained by the **host country**, consistent with the commitments under the applicable international instruments.

28. In a project, the borrower/client will as a first priority avoid and, where avoidance is not possible, minimize and control the use and release of **hazardous chemicals, substances, and materials**. The borrower/client will assess and manage the transportation, handling, and storage of hazardous chemicals, substances, and materials for project activities, or where such materials are intended to be used in manufacturing processes or other operations within a project as set out in the E&S assessment process described in ESS1. Where avoidance of the use or release is not possible, the borrower/client will consider less hazardous alternatives and/or implement measures to ensure the health and safety of workers, communities, and the environment.

I. Management of Pesticides and Antimicrobials

29. As part of the E&S assessment process described in ESS1, the borrower/client will identify whether a project involves pest management measures. Where a project involves pest management measures, the borrower/client will give preference to **integrated pest management** or **integrated vector management** or a combination of these two approaches. Priority will be given to the use of traditional and indigenous methods, where appropriate, and biological methods and chemical pesticides will be used as a last resort to prevent unacceptable levels of pest damage.

30. For a project involving significant pest management issues, or contemplating activities that may lead to pest management and/or pesticide use issues, or when a project will finance substantial quantities of pesticides, the borrower/client will, in consultation with ADB, prepare a pest management plan (PMP), which may be a stand-alone plan or integrated into the relevant **E&S assessment and management document** as described in ESS1. The PMP will be proportionate to the nature and scale of a project's potential **E&S risks and impacts** from pesticide use. A PMP is not required for the procurement or use of insecticides or pest control measures that follow internationally recognized approaches for mosquito control.

31. In the procurement of any pesticide for a project, the borrower/client will assess the nature and degree of associated risks during the E&S assessment described in ESS1 and develop appropriate management and mitigation measures, considering the proposed use.

32. The borrower/client will, on a case-by-case basis and in consultation with ADB, consider the use of pesticides not yet subject to extensive international regulatory tests, with a presumption against their use on a project. Before such consideration, the borrower/client will engage a qualified expert to conduct a risk assessment, justify the use of such chemicals, and explain in detail any risks to any E&S receptors, based on internationally peer-reviewed evidence.

33. The borrower/client will apply the following criteria to the selection and use of such pesticides: (i) they will have negligible adverse human and **ecosystem** health effects; (ii) they will be shown by documented evidence to be effective against the target species; and (iii) they will have minimal effect on non-target species and the natural environment, as supported by internationally peer-reviewed scientific evidence. The methods, timing, and frequency of pesticide application are aimed to minimize damage to all other non-target species.

34. The borrower/client will ensure that pesticides used in public health programs are demonstrated to be safe for inhabitants and domestic animals in the treated areas, as well as for personnel applying them. The borrower/client will ensure that (i) their use will take into account the need to prevent the development of resistance in pests; and (ii) where registration is required, all pesticides will be registered or otherwise authorized for the use and use patterns, for which they are intended under a project.

35. The borrower/client will avoid and, where avoidance is not possible, minimize as far as possible the use of pesticides in areas sensitive for groundwater, surface water, and **biodiversity**, and areas where the risks of E&S receptors' exposure to pesticides is high.


36. Where a project involves the provision of and/or the production, distribution, and use of antimicrobials as pesticide, the borrower/client will incorporate antimicrobial stewardship in accordance with World Health Organization requirements to minimize antimicrobial resistance.

V. MONITORING AND DISCLOSURE

37. Depending on the level of risks and impacts with regard to **pollution prevention** and resources conservation, the borrower/client will, in consultation with ADB, prepare additional studies and **E&S assessment and management documents** that are required by ESS3 and as relevant to a project and its **E&S risks and impacts**. As specified in ESS1, these will support the analysis of risks and impacts and identification of mitigation measures and will be part of or may be annexed to the E&S assessment undertaken for a project.

38. The PMP and other **E&S assessment and management documents** as required by ESS3 will be prepared and disclosed as stand-alone documents or as part of the project environmental and social management plan in accordance with ESS1 and ESS10. The final or updated E&S assessment and management documents, if any, will also be submitted to ADB for disclosure.

39. The borrower/client will monitor the implementation of the **E&S assessment and management documents** prepared under ESS3 in accordance with the requirements in the environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP) and ESS1 and ESS10.



Relocated villagers from the Nam Theun 2 Hydroelectric Project are now earning more from fishing and other alternative livelihoods.





Fiji Ports Development Project; Ports Development Master Plan in Fiji.

Health, Safety, and Security



ESS4

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 4 recognizes that project activities, equipment, and infrastructure may increase the potential for **project workers** and **project-affected persons** to be exposed to health, safety, and security risks. Project activities may also exacerbate natural hazard and **climate change** risks or impacts on project-affected persons.
2. ESS4 recognizes that the borrower/client has the primary responsibility, in collaboration with competent government authorities, to manage health, safety, and security risks associated with project activities that impact **project workers** and **project-affected persons** to avoid or minimize such risks and impacts, with particular attention to those who may be **disadvantaged or vulnerable**.

II. OBJECTIVES

- a. Protect and promote the health, safety, and security of **project workers** by promoting a culture of safety, ensuring safe, healthy, and secure working conditions, and implementing protective measures proportionate to the nature and scale of the potential risks and impacts of a project.
- b. Anticipate and avoid and, where avoidance is not possible, establish measures and procedures to minimize, mitigate, and respond to, adverse impacts on the health, safety, and security, including **sexual exploitation, abuse, and harassment (SEAH)**-related issues, of **project workers** and **project-affected persons**.
- c. Consider potential geophysical and physical climate risks and impacts in the design and construction of infrastructure.
- d. Avoid, or where avoidance is not possible, minimize and mitigate the exposure of persons and communities to project-related traffic and road safety hazards, diseases, and **hazardous chemicals, substances, and materials, and wastes**.
- e. Ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to project workers and project-affected persons.

III. SCOPE OF APPLICATION

3. The applicability of ESS4 is established during the environmental and social (E&S) assessment process described in ESS1. The potential risks to **project workers** and **project-affected persons** may vary depending on the nature, scale, and stage of a project. ESS4 establishes the requirements for ensuring the health, safety, and security of project workers and project-affected persons.

IV. GENERAL REQUIREMENTS

A. General Requirements for Ensuring Health and Safety

4. The borrower/client will adopt measures to prevent fatality, accident, injury, and ill-health among **project workers** and **project-affected persons**, arising from or associated with a project. The borrower/client will, in consultation with ADB, prepare and implement plans with detailed measures to manage health and safety risks in accordance with the health and safety hierarchy of risk control, the **host country's applicable laws**, including those laws implementing the **host country** obligations under international laws, and requirements of the relevant **good international practice (GIP)** or other internationally recognized standards such as the World Bank Group's **Environmental, Health, and Safety Guidelines (EHSGs)**. Where the requirements under the host country's applicable laws differ from such internationally recognized standards, the borrower/client will achieve whichever is more stringent or more protective of **project workers, project-affected persons**, and/or the environment.
5. The borrower/client will undertake, as part of the E&S assessment process described in ESS1, a health, safety, and security assessment proportionate to the nature and scale of the potential risks and impacts of a project and develop a project-specific health and safety management plan (HSMP) that may be a stand-alone plan or may be integrated into any relevant **E&S assessment and management document**. The borrower/client will liaise with the contractor to update and regularly review the HSMP to evaluate its effectiveness in avoiding, reducing, and mitigating risks and impacts.
6. The HSMP will include (i) identification of potential hazards to **project workers** and **project-affected persons**, particularly those that may be life-threatening; (ii) provision of preventive and protective measures, including modifications, substitutions, and/or elimination of hazardous conditions or substances; (iii) training of project workers and maintenance of training records; (iv) documentation and reporting of occupational accidents, diseases, and incidents; (v) emergency preparedness and response arrangements; and (vi) measures, including compensation payments where appropriate, to address adverse impacts such as project-related injuries, deaths, disability, and disease.
7. The borrower/client will provide **project workers** and **project-affected persons** with information, guidance, instruction, and training relating to health and safety hazards, risks, and emergency arrangements that are necessary for their health and safety during the preparation and implementation phases of a **project cycle**.
8. If there are significant changes to a project that result in additional risks for and impacts on the health, safety, and security of **project workers** and **project-affected persons**, the borrower/client will meaningfully consult with project workers and project-affected persons on how to mitigate these risks and impacts and on any additional mitigation measures that may be required.
9. The borrower/client will require that all **project workers**, contractors and subcontractors, and other third-party contractors engaged in a project operate in a manner consistent with the requirements of ESS4.
10. Where a project involves the provision of health services and/or involves the production, distribution, and use of antimicrobials that may have significant health and safety risks, the borrower/client will incorporate antimicrobial stewardship in accordance with World Health Organization requirements to minimize antimicrobial resistance.

B. Occupational Health and Safety

11. The borrower/client will provide **project workers** with a safe and healthy working environment, considering risks inherent in its particular sector and specific classes of hazards, including physical, chemical, biological, and radiological, that may be present in the workplace. The borrower/client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring during the course of project work by (i) identifying and minimizing the causes of potential hazards to workers; (ii) providing preventive and protective measures, including modification, substitution, or elimination of hazardous

conditions or substances; (iii) providing appropriate equipment to minimize risks and requiring and enforcing the use of such equipment; (iv) training **project workers** and providing them with appropriate incentives to use and comply with health and safety procedures and protective equipment; (v) documenting and reporting occupational accidents, diseases, and incidents; and (vi) having emergency prevention, preparedness, and response arrangements in place.

12. Where there are specific risks associated with certain work activities that could result in adverse effects on the health and safety of **disadvantaged or vulnerable** project workers, the borrower/client will carry out more detailed risk assessment and integrate the findings and the related occupational health and safety (OHS) measures into the HSMP.

13. The borrower/client will designate a person responsible for OHS, who will implement the HSMP. The borrower/client will provide personal protective equipment and access to safety equipment at no cost to project workers.

14. During the course of any work activity, the borrower/client will ensure that **project workers** are duly qualified and competent to undertake assigned tasks, are provided with continued and appropriate supervision to ensure safe use of work equipment, and adequate implementation and enforcement of the HSMP.

15. The borrower/client will monitor the health and safety of **project workers** and undertake **meaningful consultation** with them and/or workers' representatives and their organizations, where applicable, on OHS-related measures in the HSMP. The borrower/client will ensure that this monitoring and meaningful consultation includes, at a minimum, accident investigation, risk assessment, development of safe methods and procedures of work, and selection of work equipment. The borrower/client will encourage project workers to stop work in situations of imminent danger and report any unsafe acts and conditions in the workplace.

16. The borrower/client will put in place workplace processes, including a worker's grievance mechanism as described in ESS2 for **project workers** to report work situations that they believe are not safe or healthy, and to enable them to remove themselves from a work situation which they have reasonable justification to believe presents an imminent and serious danger to their life or health. Project workers who remove themselves from such situations will not be required to return to work until necessary remedial action to correct the situation has been taken. The borrower/client will not discriminate or retaliate against project workers for such reporting or removal.

17. Where **project workers** are employed or engaged by more than one party and are working together in one location, the borrower/client will require that the parties who employ or engage the workers will collaborate in applying the OHS-related measures in the HSMP, without prejudice to the responsibility of each party for the health and safety of its own workers.

18. The borrower/client will provide **project workers** with safe and healthy facilities appropriate to the circumstances of their work, including access to canteens, hygiene facilities, and appropriate areas for rest. Where accommodation services are provided to project workers, policies will be put in place and implemented on the management and quality of accommodation to protect and promote the health, safety, and well-being of the project workers, and to provide access to or provision of services that accommodate their physical, social, and cultural needs.

19. The borrower/client will regularly review and monitor the implementation of the OHS-related measures in the HSMP. The review will include the identification of safety and health hazards and risks, implementation of effective methods for responding to identified hazards and risks, setting priorities for taking action, and evaluation of results.

C. Community Health and Safety

20. The borrower/client will identify and assess project-related risks and adverse impacts on the health and safety of potential **project-affected persons** throughout the concept design, preparation, and implementation phases of a **project cycle**. The borrower/client will avoid such risks and impacts, and where avoidance is not possible, develop preventive and protective measures for community health and safety proportionate to the nature and scale of a project, and incorporate such

measures into the HSMP. The borrower/client will communicate with project-affected persons and other **stakeholders**, as appropriate, on measures within the HSMP related to the community health and safety. The borrower/client will ensure that such measures are consistent with the **mitigation hierarchy** and **GIP**.

21. Where there are specific risks that could result in adverse impacts on the health and safety of **disadvantaged or vulnerable** persons, the borrower/client will carry out a more detailed risk assessment and develop measures to manage the risks, including preventing injury and ill-health, and include them in the HSMP.

V. SPECIFIC REQUIREMENTS FOR HEALTH AND SAFETY MANAGEMENT

A. Reporting of Accidents and Injuries Including Fatalities

22. Where any fatality, major incident, significant injury or ill-health occurs in the course of implementing project activities, or there is a potential of such occurrence, the borrower/client will investigate, document, and analyze the findings, adopt measures to prevent occurrence or recurrence; and where required by law, notify and cooperate with the competent government authorities. The borrower/client will report to ADB any such project-related fatality, major incident, significant injury, and/or ill health as soon as possible after the borrower/client becomes aware of it and as specified in an ESCP/ESAP. This will be followed up by a detailed report outlining root cause analysis and future preventive measures and actions within an indicative time frame as specified in an ESCP/ESAP. In circumstances where it is not possible to complete a detailed report within such specified time, the borrower/client and ADB will agree on a more feasible date. For any project-related fatality, major incident, significant injury, and/or ill-health that necessitate changes to the HSMP, the borrower/client will inform and consult with the relevant project workers and/or workers' representatives and their organizations, where applicable, on the changes. The borrower/client will require its contractor(s) to record and maintain an accident and incident register throughout the project construction and implementation phases. For any fatality, major incident resulting in significant injury or ill-health caused by project activities, the borrower/client will provide appropriate and timely compensation in accordance with the requirements of the **host country's applicable laws**, and, if relevant, **GIP**.

B. Safety of Services

23. Where a project involves the provision of services to communities, the borrower/client will establish and implement appropriate health and safety, and quality control measures to anticipate and minimize risks and impacts that such services may have on community health and safety. The borrower/client will consider features that will permit access and use to the greatest extent possible by people in the communities regardless of their age, size, ability, or disability, where **technically and financially feasible**.

C. Exposure to Disease

24. The borrower/client will avoid or minimize the potential exposure of **project workers** and **project-affected persons** to diseases which could result from, or be exacerbated by, project activities. The borrower/client will take into consideration differentiated exposure to, and higher sensitivity of, **disadvantaged or vulnerable** groups and will develop appropriate mitigation measures in **meaningful consultation** with such groups and the competent government authorities.

25. Where specific diseases are endemic to the geographic area of project-affected communities, the borrower/client is encouraged to identify opportunities throughout the concept design, preparation, and implementation phases of a **project cycle** to improve conditions that could help minimize their incidence, both among **project workers** and **project-affected persons**. The borrower/client will take measures to avoid or minimize transmission of communicable diseases that may be associated with the influx of project workers.

D. Ecosystem Services

26. A project's **direct impacts** on provisioning and regulating **ecosystem services**, including those that may be exacerbated by **climate change**, may result in adverse health and safety risks to and impacts on **biodiversity** and **project-affected persons**. The borrower/client will ensure that adverse impacts on such **ecosystem services** are avoided and, where avoidance is not possible, will implement appropriate mitigation measures.

E. Natural Hazards

27. The borrower/client will identify and assess the potential risks and impacts from extreme weather and geophysical hazards, as these relate to a project and will design and implement measures to avoid and/or minimize their impact. The borrower/client will also avoid or minimize the exacerbation of risks and impacts caused by natural hazards, such as landslides or floods, that could result from land use changes due to project activities.

28. The borrower/client will undertake a climate risk assessment in accordance with ESS9. The borrower/client will identify and assess alternatives to a project's proposed location and/or technology and identify appropriate **climate change mitigation**, and **climate change adaptation** and **resilience** measures to be integrated into the project design including the mitigation of heat exposure.

F. Sexual Exploitation, Abuse, and Harassment

29. The borrower/client will assess project-related risks of **SEAH** to **project workers** and **project-affected persons**, including those who may be disproportionately affected because of their **disadvantaged or vulnerable** status. The borrower/client will adopt specific and differentiated measures to prevent and address SEAH to project workers consistent with ESS2 and project-affected persons, including children, following a survivor-centered approach, and will establish a confidential grievance mechanism for reporting incidents and referral systems to support SEAH survivors.

G. Product Safety

30. Where a project involves the production of and/or trade in consumer products, the borrower/client will ensure product safety through good design and manufacturing processes, as well as adequate storage, handling, and transportation for product distribution. The borrower/client will comply with the requirements of the **host country's applicable laws** and the product safety standards and codes of practice in a given business sector, as agreed with ADB.

31. During the assessment process, the borrower/client will identify and evaluate the health and safety risks to consumers associated with its products. The borrower's/client's approach to product safety will adhere to the **mitigation hierarchy** and ensure that adequate information on a product's health and safety risks is provided to consumers. For situations involving products which may pose serious health threats, the borrower/client will ensure that product recall and product withdrawal policies and procedures are in place before product distribution to consumers.

H. Infrastructure, Building, and Equipment Design and Safety

32. During the concept design, preparation, and implementation phases of a **project cycle**, the borrower/client will ensure that structural elements of a project comply with the requirements of the **host country's applicable laws** and, if relevant, **GIP**, considering health, safety, and security risks to **project-affected persons** and other **stakeholders**. The borrower/client will ensure that structural elements of a project are designed, constructed, and certified by competent professionals and approved by competent government authorities, and that structural design takes potential **climate change**-related risks and impacts into account, as appropriate.

33. Where a project includes new buildings and structures that will be accessed by members of the public, the borrower/client will consider the incremental risks of the public's potential exposure to operational incidents or natural hazards. Where **technically and financially feasible**, the borrower/client will consider features that will permit access and use to the greatest extent possible by people in the communities regardless of their age, ability, or disability.

34. When structural elements or components of a project are situated in high-risk locations, including those with risk of extreme weather, geophysical hazards, or slow onset events, and their failure or malfunction may threaten the health, safety, and security of **project workers** and **project-affected persons**, the borrower/client will engage one or more experts with recognized experience in similar situations and projects, who are independent from those responsible for project-related design and construction. The borrower/client will ensure that these independent experts conduct a review as early as possible in the project concept design or preparation phases to confirm the safety and structural integrity of structural elements or components and will monitor their safety and structural integrity throughout the implementation phase of a **project cycle**. Where a project involves a new or existing **dam**, the borrower/client will provide sufficient resources to apply the requirements for the safety of dams, as set out in the Annex of ESS4.

I. Traffic and Road Safety

35. The borrower/client will identify, evaluate, and monitor the potential traffic and road safety risks to **project workers**, **project-affected persons**, and road users throughout the concept design, preparation, and implementation phases of a **project cycle** and will incorporate **technically and financially feasible** road safety measures into a project.

36. Where appropriate, the borrower/client will undertake a road safety assessment for each phase of a project, monitor incidents and accidents, and prepare regular reports of such monitoring as determined by the requirements of ESS1. The borrower/client will use the reports to identify negative safety issues and establish and implement measures to resolve them.

37. For vehicles or fleets of vehicles owned or leased for the purposes of a project, the borrower/client will put in place appropriate systems, including procedures for driver training, to improve driver and vehicle safety, as well as for maintenance and repair, monitoring, and enforcement. The borrower/client will consider the safety record or rating of vehicles in purchase or leasing decisions and require regular maintenance of all vehicles owned or leased for a project.

38. For projects that operate construction and other equipment on public roads or where the use of project equipment could have an impact on public roads or other public infrastructure, the borrower/client will take appropriate safety measures to avoid the occurrence of incidents and injuries to members of the public associated with the operation of such equipment.

J. Management and Safety of Hazardous Chemicals, Substances, Materials, and Wastes

39. The borrower/client will avoid or reduce the potential for exposure of **project workers** and **project-affected persons** to **hazardous chemicals, substances, and materials**, and **wastes** that may be used in or released by a project. Where there is a potential for project workers and project-affected persons to be exposed to hazardous chemicals, substances, materials, or wastes, the borrower/client will exercise due care to manage their exposure by eliminating, substituting, or isolating the activities that use or release the hazardous chemicals, substances, materials, or wastes.

40. Where the use of **hazardous chemicals, substances, and materials** and the generation of **hazardous waste** cannot be avoided, the borrower/client will take necessary measures for safe and secure handling, storage, transport, and disposal in accordance with **GIP** and will implement measures to avoid or reduce the exposure of **project workers** and **project-affected persons**. Where a project includes hazardous chemicals, materials, substances, or wastes that are part of existing facilities or activities, an E&S audit will be undertaken to identify risks and impacts and identify measures and actions required in accordance with ESS1, to prevent the exposure of project workers and project-affected persons to them.

K. Emergency Preparedness and Response

41. The borrower/client will identify and implement measures to address an **emergency**. The borrower/client will ensure that measures are designed to address an emergency in a coordinated and expeditious manner, in accordance with the requirements under the **host country's applicable laws**, and to minimize, mitigate, and compensate for any adverse impacts that may occur to the health, safety, and security of **project workers** and **project-affected persons**.

42. The borrower/client engaged in projects that have the potential to generate an **emergency** will conduct a risk hazard assessment as part of the assessment process described in ESS1. Based on the results of such assessment, the borrower/client will prepare an emergency response plan (ERP) in coordination with the competent local authorities, **project workers**, and **project-affected persons**.

43. The borrower/client will document project emergency preparedness and response activities, resources, and responsibilities, and will disclose appropriate information, as well as any subsequent material changes, to **project workers**, **project-affected persons**, and competent government authorities. The borrower/client will assist and collaborate with project workers, project-affected persons, competent government authorities, and other **stakeholders** in their preparations to respond effectively to an **emergency**, especially where their participation and collaboration will be an important part of an effective response.

44. The borrower/client will review the ERP on a regular basis throughout the implementation phase of a **project cycle** and confirm that it addresses the potential range of an **emergency** that might arise in connection with a project. The borrower/client will support **project workers**, **project-affected persons**, and competent government authorities, through training and other collaboration on emergency preparedness.

L. Security Management

45. The borrower/client will identify and assess project security threats to **project workers** and **project-affected persons**. Where risks are identified, the borrower/client will implement security management arrangements that are proportionate to the nature and scale of the threats.

46. When a borrower/client retains employees or contractors to provide security services for its personnel and property, it will assess risks posed by the security arrangements to those within and outside a project site and implement and monitor a security management plan that is proportionate to the nature and scale of the assessed risks. In making such arrangements, the borrower/client will ensure that security personnel are hired in accordance with the **host country's applicable laws**.

47. The borrower/client will (i) make reasonable efforts to verify that the employees or contractors it retains to provide security services are not implicated in past abuses, including those related to SEAH; (ii) train them adequately or determine that they are properly trained in appropriate conduct toward **project workers** and **project-affected persons**; (iii) train them adequately or determine that they are properly trained in the use of force and, where applicable, firearms; and (iv) require them to comply with the requirements of the **host country's applicable laws**. The borrower/client will not sanction any use of force by security personnel except for preventive and defensive purposes proportionate to the nature and extent of the threat.

48. If security services are the responsibility of government authorities, the borrower/client will collaborate, to the extent permitted, with the competent government authorities to achieve outcomes that are consistent with ESS4. The borrower/client will communicate to the competent government authorities its intent that the security personnel act in a manner consistent with para. 46 and encourage the competent government authorities to disclose the security arrangements for the borrower's/client's facilities to the public, subject to overriding security concerns.

49. The borrower/client will establish and maintain an effective grievance mechanism as described in ESS10, to allow **project workers** and **project-affected persons** to express concerns about security arrangements and the actions of security personnel and will inform project workers and project-affected persons of the availability and use of the grievance mechanism.

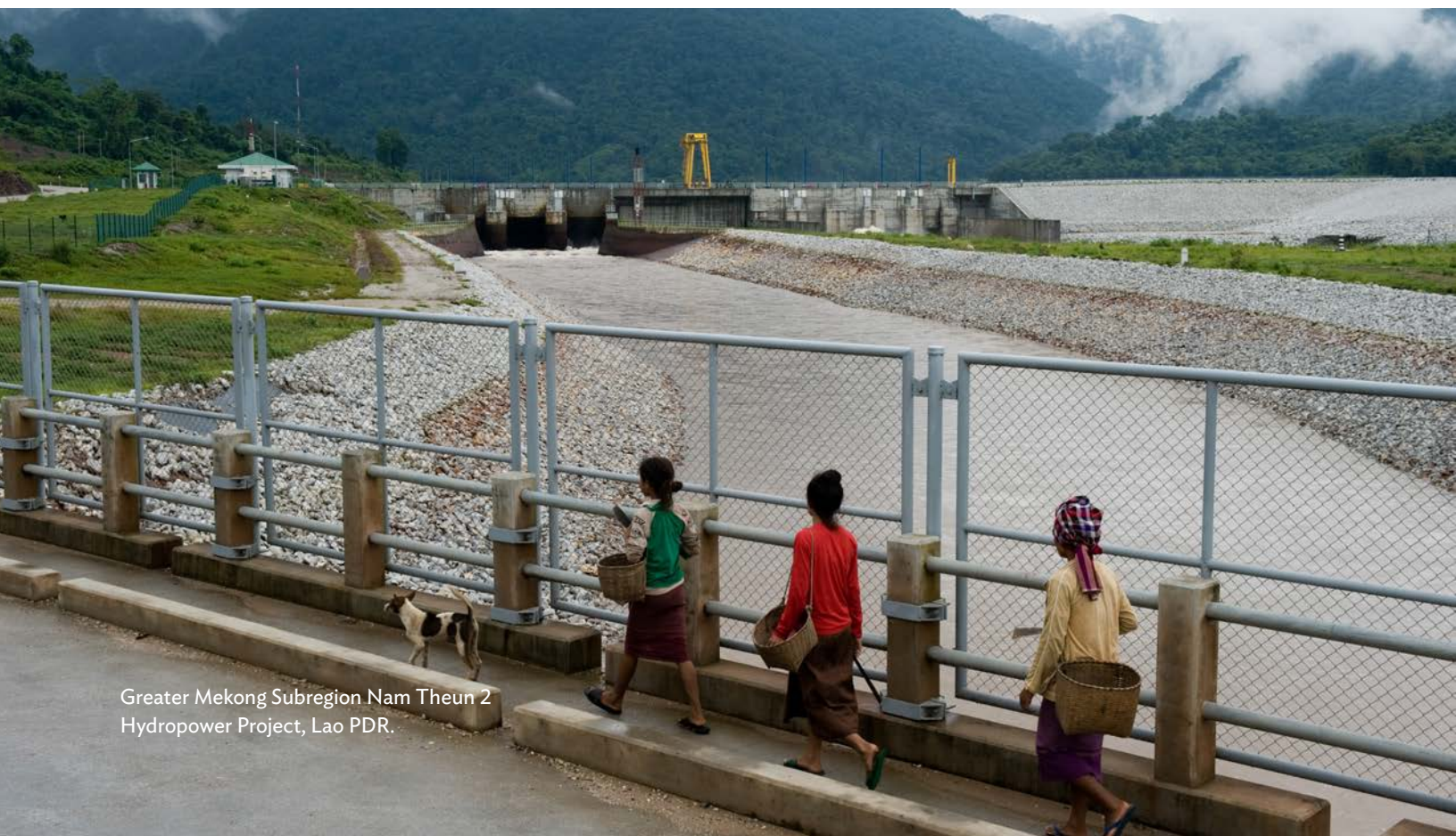
50. The borrower/client will investigate any allegations of unlawful or abusive acts by security personnel, take action or urge appropriate parties to take action to prevent recurrence, and report unlawful and abusive acts to competent government authorities and to ADB.

VI. MONITORING AND DISCLOSURE

51. Depending on the level of risks and impacts with regard to the health, safety and security of **project workers** and **project-affected persons**, the borrower/client will, in consultation with ADB, prepare additional studies and E&S assessment and management document(s) that are required by ESS4 and as relevant to a project and its risks and impacts. As described in ESS1, these will support the analysis of impacts and identification of mitigation measures and will be part of or may be annexed to the E&S assessment undertaken for a project.

52. The E&S assessment and management documents as required by ESS4 may include the HSMP – which will include OHS management plan, community health and safety plan and security management plan), and ERP, all of which may be prepared and disclosed as stand-alone documents or as part of the project environmental and social management plan in accordance with ESS1 and ESS10. The final or updated E&S assessment and management documents, if any, will also be submitted to ADB for disclosure.

53. The borrower/client will monitor the implementation of the E&S assessment and management documents prepared under ESS4 in accordance with the requirements in the environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP) and ESS1, ESS2, and ESS10.



ANNEX: SAFETY OF DAMS

A. New Dams

1. The borrower/client will engage experienced and competent professionals for the supervision of the design and construction of new **dams**, and require the owner of a dam to adopt and implement dam safety measures during the design, bid tendering, construction, operation, and maintenance of the dam and associated works.
2. The dam safety requirements set out in this Annex apply to
 - (i) large dams, which are defined as dams with a height of 15 meters or greater from the lowest foundation to crest or dams between 5 meters and 15 meters impounding more than 3 million cubic meters; and
 - (ii) small dams, which are all other dams regardless of size or retention capacity that (i) could cause safety risks, such as an unusually large flood-handling requirement, location in a zone of high seismicity, foundations that are complex and difficult to prepare, retention of toxic materials, or potential for significant downstream impacts; or (ii) are expected to become large dams during their operating life.
3. The dams referred to in para. 2 of this Annex require the following:
 - (i) Reviews by an independent dam safety panel of experts of the investigation, design, and construction of the dam and the start of operations.
 - (ii) Preparation and implementation of detailed plans, as described in section C, including a plan for construction supervision and quality assurance, an instrumentation plan, an operation and maintenance (O&M) plan, and an emergency preparedness plan. Note that as part of established dam safety practices in some countries, the O&M plan includes the instrumentation plan and the emergency preparedness plan as specific sections. This method will be acceptable provided the relevant sections of the O&M plan contain the details, and are prepared in accordance with the timing set out in section C.
 - (iii) Prequalification of bidders during procurement and bid tendering if suggested as an outcome of the strategy procurement process.
 - (iv) Periodic safety inspections of the dam after completion, and implementation of measures required to address safety deficiencies.
4. The risks associated with a **dam** are design- and situation-specific, and will vary depending on structural components, socioeconomic factors, and the environment within which the dam is being constructed and will operate. The application of the requirements set out in para. 3 of this Annex will reflect these considerations, and be proportionate to the size, complexity, and potential risk of a dam.
5. Where a **dam** does not fall into the categories set out in para. 2 of this Annex, such as farm ponds, local silt retention dams, and low embankment tanks, the borrower/client will adopt and implement dam safety measures designed by qualified engineers in accordance with **Good International Practice (GIP)**. In such circumstances, the borrower will confirm, through the environmental and social (E&S) assessment process under ESS1, that there will be no or only negligible risk of significant adverse impacts due to potential failure of the dam structure to local communities and assets, including assets to be financed as part of a proposed project.
6. The panel referred to in para. 3(i) of this Annex consists of three or more experts, appointed by the borrower/client and acceptable to ADB, with expertise in the various technical fields relevant to the safety aspects of a particular **dam**. The number, professional breadth, technical expertise, and experience of panel members are proportionate to the size, complexity, and hazard potential of the dam under consideration. For high-hazard dams, in particular, the panel members will possess recognized expertise in their field. The panel will review and advise the borrower/client on matters relative to dam safety and other critical aspects of a dam, its appurtenant structures, the catchment area, the area surrounding the reservoir, and

downstream areas. The borrower/client will normally extend the panel's composition and terms of reference beyond dam safety, to cover such areas as project formulation, technical design, construction procedures, and for water storage dams, associated works such as power facilities, river diversion during construction, ship lifts, and fish ladders.

7. The borrower/client will contract the services of the panel and will provide administrative support for its activities. Beginning as early in project preparation as possible, the borrower/client will arrange for periodic panel meetings and reviews, which will continue through the investigation, design, construction, and initial filling and start-up phases of a **dam**. If ADB's involvement begins at a later stage than project preparation, the panel is constituted as soon as possible and reviews any aspects of the project that have already been carried out. The borrower/client will inform ADB in advance of panel meetings and ADB may send an observer to these meetings. After each meeting, the panel will provide the borrower/client with a written report of its conclusions and recommendations, signed by each participating member, and the borrower/client will provide a copy of the panel's report to ADB for disclosure in accordance with ESS10. Following the filling of the reservoir and start-up of a dam, ADB will review the panel's findings and recommendations. If no significant difficulties are encountered or anticipated in the filling and start-up of a dam, the borrower/client may disband the panel.

B. Existing Dams and Dams Under Construction

8. Where a project relies or may rely on the performance of an existing **dam** or a dam under construction in the **host country**, the borrower/client will arrange for one or more independent dam specialists to (i) inspect and evaluate the safety status of the existing dam or dam under construction, its appurtenances, and its performance history; (ii) review and evaluate the owner's operation and maintenance procedures; and (iii) provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the existing dam or dam under construction to an acceptable standard of safety.

9. Such projects include, for example, power stations or water supply systems that draw directly from a reservoir controlled by an existing **dam** or a dam under construction; diversion dams, or hydraulic structures downstream from an existing dam or a dam under construction, where failure of the upstream dam could cause extensive damage to or failure of the project facilities; and irrigation or water supply projects that will depend on the storage and operation of an existing dam or a dam under construction for their supply of water and could not function if the dam failed. They also include projects that require increases in the capacity of an existing dam, or changes in the characteristics of the impounded materials, where failure of the existing dam could cause extensive damage to or failure of project facilities.

10. The borrower/client may use a previously prepared **dam** safety assessment or recommendations for improvements needed in an existing dam or dam under construction, if (i) an effective dam safety program is already in operation; and (ii) full-level inspections and dam safety assessments of the existing dam or dam under construction have already been conducted and documented and are satisfactory to ADB.

11. For projects that include additional **dam** safety measures or require remedial work, the borrower/client will require that: (i) a dam is designed and its construction is supervised by competent professionals; and (ii) the reports and plans required for a new dam, as specified in para. 3(ii) of this Annex are prepared and implemented. For high-hazard cases involving significant and complex remedial work, the borrower/client will also employ a panel of independent experts on the same basis as for a new dam, as required in paras. 3(i) and 6 of this Annex.

12. When the owner of an existing **dam** or dam under construction is an entity other than the borrower/client, the borrower/client will enter into agreements or arrangements providing for the measures set out in paras. 8–11 of this Annex to be undertaken by the owner.

13. Where appropriate, the borrower/client may discuss with ADB any measures necessary to strengthen the institutional, legislative, and regulatory frameworks for **dam** safety programs in the **host country**.

C. Dam Safety Reports

14. **Dam** safety reports will contain the information set out below and be prepared as follows:
- (i) **Plan for construction supervision and quality assurance.** This plan will set out details of the organization, staffing levels, procedures, equipment, and qualifications for the supervision of the construction of a new dam or of remedial work on an existing dam. For a dam other than a water storage dam, this plan takes into account the usual long construction period, covering the supervision requirements as the dam grows in height—with any accompanying changes in construction materials or the characteristics of the impounded material—over a period of years. The borrower/client will prepare and submit this plan to the panel and ADB during project preparation.
 - (ii) **Instrumentation plan.** This is a detailed plan for the installation of instruments to monitor and record dam behavior and the related hydrometeorological, structural, and seismic factors. The borrower/client will prepare and submit this plan to the panel and ADB before bid tendering.
 - (iii) **Operation and maintenance (O&M) plan.** This plan will set out details of the organizational structure, staffing, technical expertise, and training required; the equipment and facilities needed to operate and maintain a dam; the O&M procedures; and the arrangements for funding, including long-term maintenance and safety inspections. The O&M plan for a dam other than a water storage dam, in particular, will reflect changes in the dam's structure or in the nature of the impounded material that may be expected over a period of years. Elements required to finalize the plan and initiate operations are normally financed under a project. The borrower/client will prepare a preliminary plan and submit it to the panel and ADB during project preparation. The borrower/client will refine and complete this plan during project implementation. The borrower/client will complete the final plan not less than 6 months prior to the start of the initial filling of the reservoir. Elements required to finalize the plan and initiate operations are normally financed under a project.
 - (iv) **Emergency preparedness and response plan.** This plan will specify the roles of responsible parties when dam failure is considered imminent, or when expected operational flow release threatens downstream life, property, or economic operations that depend on river flow levels. It will include the following: clear statements on the responsibility for decision-making relating to dam operations and for the related emergency communications; maps outlining inundation levels for various emergency conditions; flood warning system characteristics; and procedures for evacuating threatened areas and mobilizing emergency forces and equipment. The plan for emergency communication will include the mechanism through which potentially affected downstream communities will be informed. The borrower/client will prepare the broad framework plan and an estimate of funds needed to prepare the plan in detail and submit it to ADB during project preparation and prior to approval. The borrower/client will prepare the plan itself during implementation and submit it to the panel and ADB for review not later than 1 year before the projected date of the initial filling of the reservoir.



Rural Infrastructure Sector Project,
Vinh Quang Village, Viet Nam.

Land Acquisition and Land Use Restriction



ESS5

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 5 recognizes that project-related **land acquisition and land use restriction** (LA/LUR), if unmitigated, could give rise to significant economic and/or **environmental and social (E&S) risks and impacts**, and may result in long-term hardship and impoverishment. **LA/LUR** refers to all methods of obtaining **land** or restricting land use in connection with a project. Project-related LA/LUR may cause **economic displacement, physical displacement**, or both to **project-affected persons**. In the context of ESS5, **project-affected persons** are legal or natural persons experiencing economic or physical displacement or both as a result of project-related LA/LUR. Physical displacement occurs when there is a loss of residential or business premises, residential and/or homestead land, loss of shelter, and/or the loss of essential public facilities, amenities, and utilities, resulting in relocation and resettlement. Economic displacement occurs when there is a loss of land assets, or resources, access to land, assets, or resources, and/or loss of income sources and means of livelihood.

II. OBJECTIVES

- a. Avoid **economic** and **physical displacement** or, when unavoidable, minimize such displacement by considering feasible alternative project designs and sites.
- b. Avoid **forced eviction**.
- c. Mitigate unavoidable adverse social and economic risks and impacts from **LA/LUR** by (i) providing timely compensation for loss of assets at full **replacement cost**, and (ii) assisting **project-affected persons** in their efforts to improve or at least restore their **livelihoods** and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.
- d. Improve livelihood opportunities and living conditions of **disadvantaged or vulnerable** persons, including by providing adequate housing with essential services, utilities, and **security of tenure** to those who are physically displaced.
- e. Ensure that **LA/LUR** activities are planned and implemented based upon appropriate **stakeholder** engagement, including information disclosure, **meaningful consultation**, and grievance management.

III. SCOPE OF APPLICATION

2. The applicability of ESS5 is established during the E&S assessment process described in ESS1.
3. ESS5 applies to the full, partial, permanent, and temporary **economic** and **physical displacement** resulting from involuntary **LA/LUR** undertaken or imposed in connection with a project. LA/LUR is considered involuntary when **project-affected persons** do not have the right to refuse LA/LUR that results in physical and/or economic displacement.

4. ESS5 applies to project-related voluntary **LA/LUR** in accordance with section IV.C, which describes the criteria and due diligence requirements to ensure that such transactions are fair, consensual, and informed. ESS5 does not apply to voluntary, legally recorded market transactions such as transfer of formal ownership rights through the sale and purchase of **land**, assets or other similar market transactions between a willing buyer and a willing seller in which the seller is given a genuine opportunity to retain land or assets and to refuse the transaction, except as set forth in section IV.C.
5. ESS5 applies to any **LA/LUR** carried out prior to a project that was undertaken or initiated in anticipation of, or in preparation for that project.
6. ESS5 covers displacement of persons without formal, traditional, or recognizable property and use rights under the **host country's applicable laws**, who occupy or utilize land prior to a publicly established cut-off date as set forth in para. 21.
7. ESS5 applies to **LA/LUR** that may occur in host communities due to the relocation of persons physically displaced by a project into such communities.
8. ESS5 does not apply to risks to and impacts on incomes or **livelihoods** that are not a direct result of **LA/LUR**. Such risks and impacts will be identified and addressed as part of the E&S assessment process described in ESS1.
9. ESS5 does not apply to disputes between private parties arising in the context of project-supported **land** titling or other project activities intended to confirm, regularize, or determine land rights. However, where **project-affected persons** are required to vacate land as a direct result of a project-supported determination that the land in question is state land, ESS5 will apply.
10. ESS5 does not apply to management of refugees or persons internally displaced by disasters, conflict, crime, or violence where the displacement of such persons is not the result of project-related **LA/LUR**.
11. For purposes of ESS5, the following definitions apply:
 - (i) **Involuntary land acquisition** involves acquisition of formal legal and recognizable legal **land** rights and/or land use rights through expropriation, eminent domain or other compulsory acquisition procedures, as well as through negotiated settlement, where expropriation or other procedures under compulsory acquisition can be initiated in case negotiation fails. Involuntary land acquisition may include outright transfer, expropriation of property, and acquisition of access rights, such as easements or rights of way. It may also include acquisition of unoccupied or unutilized land whether or not the landholder relies upon such land for income or livelihood purposes.
 - (ii) **Involuntary land use restriction** refers to limitations and/or prohibitions on the use of agricultural, residential, commercial, or other land, that are directly introduced and put into effect as part of a project. This may include repossession of public land that is used or occupied by individuals or households, project impacts that result in land being submerged or otherwise rendered unusable or inaccessible, restrictions on access to **natural resources** and legally designated parks and **protected areas**, including those established as part of a project, restrictions on access to other common property resources, communal property and natural resources including water bodies, such as freshwater and marine environments, and restrictions on land use within utility easements or safety zones.
 - (iii) **Voluntary land acquisition and voluntary land use restriction** refers to methods of obtaining land or land use that are not compulsory and involve (i) the land rights or claims to land or resources relinquished by individuals or communities without the provision of full compensation, voluntary donation of land for project purposes by willing donors, or other voluntary arrangements among consenting members of local communities; (ii) the voluntary transfer of use rights to legally owned land and resources through the lease of land and other assets or an agreement to grant use rights through an easement; and (iii) voluntary land use restriction for persons and communities consenting to relinquish or limit their right to the use of land and access to resources, such as under a community-based natural resource management project. Where voluntary transactions result in economic or

physical displacement of persons, other than the right holder, who occupy, use, or claim rights to the land in question, such as customary allottees, sharecroppers, renters, lessees, or persons without recognizable claims to land, such displacement is considered involuntary.

- (iv) **Livelihood** refers to the full range of ways and means that **project-affected persons** and communities utilize to make a living such as wages from employment; cash income earned through an enterprise or through sale of produce, goods, handicrafts or services; rental income from land or premises; income from a harvest or animal husbandry, share of a harvest (such as various sharecropping arrangements), or livestock production; self-produced goods or produce used for self-consumption, exchange, or barter; self-consumed goods or produce; food, materials, fuel, and goods for personal or household use or trade derived from **natural** or common **resources**; and pensions and various types of government allowances.
- (v) **Land** includes anything growing on or permanently affixed to land, such as crops, buildings, and other improvements, including those located above and below the land, and appurtenant water bodies, including freshwater and marine environments.
- (vi) **Host communities** are communities living in areas to which physically displaced persons are relocated.

IV. REQUIREMENTS

A. General Requirements for All Types of Land Acquisition/Land Use Restriction

12. At an early stage of the E&S assessment process described in ESS1, the borrower/client, through screening and scoping, will identify if any **physical** and/or **economic displacement** is likely to be caused by a project and will assess the likelihood of any future additional **land** and resource needs of the project. Where displacement impacts are noted during scoping, the borrower/client will then conduct a full **LA/LUR** assessment as described in section IV to characterize the baseline socioeconomic circumstances of **project-affected persons** and the potential risks and impacts of a project to them. Such a full LA/LUR assessment will ascertain the legal status of project-affected persons with respect to land and other assets or **livelihood** resources affected by a project.

13. **Project-affected persons** in the context of ESS5 may be classified as follows:

- (i) persons who have formal legal rights to the land or assets, including customary and traditional rights recognized under a **host country's applicable laws**;
- (ii) persons who do not have formal legal rights to **land** or assets but have a claim to such land or assets that is recognized or recognizable under a **host country's applicable laws**. Claims under this category can be derived from adverse possession or from customary or traditional tenure arrangements and land use rights, including customary or traditional use to which ESS7 applies; or
- (iii) persons who have neither formal legal rights nor recognized or recognizable claims to the land or assets they occupy and/or use.

14. Where the E&S assessment has identified that a project may entail **LA/LUR** risks and impacts, the borrower/client will demonstrate that the proposed LA/LUR is limited to direct project requirements for clearly specified project purposes within a clearly specified period. The borrower/client will consider feasible alternative project designs and sites to avoid LA/LUR, while balancing the environmental, social, and financial costs and benefits, paying particular attention to gender impacts, and avoiding adverse impacts on **disadvantaged or vulnerable persons**. Where avoidance is not possible, the borrower/client will minimize displacement and develop appropriate measures to mitigate adverse impacts on **project-affected persons**. In balancing costs and benefits, the borrower/client may consider situations where avoidance may not be an appropriate approach for public health, safety, or similar reasons, and where displacement can bring direct positive development outcomes to project-affected persons and communities as identified through **meaningful consultation**, including improved housing and strengthened **security of tenure** or other improvements to standards of living of project-affected persons.

1. Stakeholder Engagement and Information Disclosure

a. Meaningful Consultation and Information Disclosure

15. The borrower/client will undertake **meaningful consultation** in accordance with ESS10 and ESS5 with **stakeholders** on project design alternatives, as relevant to **LA/LUR**, and on applicable mitigation measures. The borrower/client will ensure participation of **project-affected persons** in the negotiation, planning, implementation, monitoring, evaluation, and reporting on compensation, **livelihood** restoration, and relocation activities, with particular attention to the views of **disadvantaged or vulnerable persons**. The borrower/client will consult with **project-affected persons** on appropriate options and alternatives for the mitigation of adverse impacts, or relocation and livelihood restoration, from which they may choose. The borrower/client will document all such consultations processes in the land acquisition plan (LAP), land acquisition framework (LAF), and/or due diligence report (DDR) and, as appropriate, in the project monitoring reports and corrective action plans (CAPs), if any. The information on consultations will include a description of the **stakeholders** consulted, a summary of the feedback received, and an explanation of how the feedback was taken into account, or the reasons why it was not.

16. The borrower/client will maintain and disclose relevant information about **LA/LUR** to **project-affected persons**, including information on alternative project designs, mitigation entitlements and options, and valuation approaches in accordance with ESS10 and ESS5. The borrower will submit all **LA/LUR**-related **E&S assessment and management documents**, such as the LAP, LAF, DDR, CAPs, and/or monitoring reports to ADB for disclosure. Relevant information from these documents will be disclosed in a timely manner in an accessible place and in a form and language(s) understandable to **project-affected persons**.

b. Grievance Mechanism

17. The borrower/client will establish a grievance mechanism as early as possible in the **LA/LUR** process and in accordance with the requirements of ESS10, in order to receive, facilitate resolution of, and monitor any concerns and grievances due to LA/LUR. If a grievance mechanism is not yet established for a project, the borrower/client will provide **project-affected persons** as early as feasible during LA/LUR scoping and assessment an opportunity to raise their concerns related to the LA/LUR as part of the **stakeholder** engagement process. The borrower/client will register and monitor such concerns and document them in a LAP, LAF, DDR, and/or monitoring reports and will also incorporate them into the grievance mechanism once it is established.

2. Assessment of Land Acquisition and Land Use Restriction Impacts

18. The borrower/client will identify all applicable **LA/LUR** modes for a project and carry out an assessment of the LA/LUR risks and impacts. The extent of the assessment will be sufficient to characterize the potential risks and impacts and take into account the views of **project-affected persons** and other relevant **stakeholders**. The borrower/client will conduct a census and socioeconomic baseline studies of all project-affected persons, an assessment of affected land, assets or **livelihood** resources, and a valuation once a project's detailed engineering design has matured sufficiently to identify and enumerate all eligible persons affected by **economic** and/or **physical displacement** due to LA/LUR. The borrower/client will ensure the synchronization of such LA/LUR assessments with the preparation of the detailed engineering designs.

19. Where **LA/LUR** is carried out by a borrower/client or by third parties, if relevant, prior to a project but which was undertaken or initiated in anticipation of, or in preparation for, a project, the borrower/client will conduct an audit to identify any gaps and corrective actions to bring LA/LUR into compliance with ESS5. The borrower/client will then prepare a CAP, which describes all activities required to reach compliance with ESS5 in the form of a time-bound plan, including a budget, implementation arrangements, and allocation of roles and responsibilities. The CAP will be reflected in an environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP).

a. Census and Socioeconomic Baseline Studies

20. The borrower/client will carry out a census to identify all **project-affected persons**. The borrower/client will conduct socioeconomic baseline studies to (i) record the relevant social, economic, and cultural characteristics of the project-affected persons, including their ownership and use rights with respect to **land** and other assets, sources of formal and informal livelihoods and resource use, access to basic services, and vulnerability characteristics as well as severity of **LA/LUR** risks and impacts; (ii) determine who will be eligible for compensation and assistance; and (iii) evaluate the impact of the mitigation of LA/LUR risks and impacts at the time of LA/LUR completion and evaluation. The studies will also address the claims of communities or groups who, for valid reasons, may not be present in a project area during the time of the census, such as seasonal resource users. The borrower/client will recruit qualified and experienced social specialists and will apply appropriate quantitative and qualitative social research methods to conduct the census and the socioeconomic baseline studies. The scope of the studies will be proportionate to the nature and scope of LA/LUR risks and impacts of a project. Sensitive or confidential information collected will be managed and protected in accordance with a project's **stakeholder** engagement plan (SEP) as described in ESS10.

b. Declaration of Cut-Off Date

21. Concurrent with the census, the borrower/client will establish a cut-off date for eligibility. The borrower/client will declare and disclose to project-affected persons a cut-off date for the eligibility for compensation in accordance with the requirements of the **host country's applicable laws**, such as public notification of a project by competent government authorities or, at the latest, at the beginning of the census and assessment of lost assets. Information regarding the cut-off date will be documented and disseminated throughout the project area at regular intervals in a form, language, and manner that is **culturally appropriate**, gender-responsive, understandable, and readily accessible to **project-affected persons**. This will include posted warnings that persons settling in a project area after the cut-off date may be subject to removal. The validity of the cut-off date will be time limited, and if the completion of the LA/LUR process is significantly delayed, the borrower/client will declare and disclose a new cut-off date following an updated LA/LUR assessment. The borrower/client will declare a separate new cut-off date for any additional unanticipated or omitted LA/LUR risks and impacts not included or inaccurately assessed in a LAP.

c. Inventory of Affected Land, Assets and Livelihood Resources, and Access to Assets

22. The borrower/client will carry out an inventory of affected land, assets and **livelihood** resources, as well as a detailed measurement survey. Such assets may include **land**, and improvements to the land such as structures and other physical assets attached to the land, (buildings, equipment and machinery, or the crops and trees grown on the affected land), and access to such assets; and all other resources such as formal and/or informal sources of livelihood and modes of income generation from trade, crafts, manufacturing, services, agricultural and livestock production, other natural resource-based activities, and employment. The borrower/client will assess the full range of rights held or asserted by **project-affected persons**, including those based on custom or practice, access, or use for livelihood purposes, and rights held in common. The detailed measurement survey will provide exact quantitative and qualitative information about the affected land, assets, and livelihood resources, including but not limited to their type, size, or weight, use and purpose, and/or property and employment relations, as applicable. The borrower/client will also identify any conflicting claims and disputes over affected assets and livelihood resources and support their legal resolution, as feasible. The detailed measurement survey will be carried out in the presence of project-affected persons and other relevant **stakeholders**.

a. Valuation of Affected Land, Assets, and Livelihood Resources

23. The borrower/client will conduct a valuation to determine the **replacement cost** of affected land, assets and **livelihood** resources. Replacement cost is a value sufficient to replace an asset, plus necessary transaction costs, including administrative charges, taxes, legal, land survey and title registration fees, transition costs, and any other applicable payments and provisions associated with asset or livelihood resource replacement. Depreciation of structures and assets

will not be taken into account. Where functioning markets exist, the replacement cost is the market value as established through competent and qualified real estate valuation plus transaction costs. Where functioning markets do not exist, the replacement cost may be determined through alternative means such as calculation of output value for land or productive assets, the productive potential and location, and the undepreciated value of replacement material and labor for construction of structures or other fixed assets, plus transaction costs. Where **physical displacement** results in the loss of residential or business premises, the borrower/client will review the valuation and augment it if needed to ensure that it is adequate to enable the purchase or construction of replacement housing, business premises and/or other structures that meet a host country's acceptable minimum community standards of quality and safety.

24. The borrower/client will engage competent and qualified valuation experts to undertake an assessment of affected assets and livelihood resources due to the project-related **LA/LUR**. The valuation methodology for determining the **replacement cost** will be documented and included in LA/LUR-related **E&S assessment and management document**. To ensure compensation at replacement cost, the borrower/client may be required to update or confirm planned replacement cost rates in project areas where inflation is high or there are otherwise significant and/or unanticipated adverse fluctuations in the value of assets, the cost of restoring resources, or when the period of time between calculation of replacement cost rates and delivery of cash compensation measures is extensive and/or exceeds 1 year. The borrower/client will ensure that project staff responsible for LA/LUR have an operational understanding of the valuation process and applicable **host country** and international valuation practices and standards. The cost of all LA/LUR mitigation measures will be included by the borrower/client in the project cost.

e. Loss of Community Facilities, Utilities, and Public Amenities

25. Where a project involves the loss of community facilities, utilities, or public amenities, or access thereto, the borrower/client will replace these during project implementation in a timely manner to ensure an equal or better level of service, based on consultation with **project-affected persons** and competent government authorities to identify and agree upon suitable alternatives.

3. Planning of Land Acquisition and Land Use Restriction

a. Land Acquisition Plan

26. To address the risks and impacts identified during the E&S assessment process described in ESS1, the borrower/client will, in consultation with ADB, prepare a LAP or other **E&S assessment and management document** proportionate to the nature and scale of the **LA/LUR** risks and impacts associated with a project, the mode(s) of LA/LUR, and the civil works procurement arrangements under a project. A LAP will be required for all types of LA/LUR. For projects and project components involving civil works which do not result in any LA/LUR risks and impacts, the borrower/client will prepare a DDR instead of a LAP, to confirm the absence of such risks and impacts. The borrower/client will engage qualified and experienced social specialist(s) to assist in the preparation of a LAP. The borrower/client will consider and apply the mitigation hierarchy and document alternatives considered and the option(s) selected in a LAP to demonstrate that LA/LUR has been avoided and minimized to the extent possible. All project LAPs and DDRs will be publicly disclosed on the ADB website.

27. In a LAP, the borrower/client will provide an account of the process and planned outcomes of all applicable involuntary and voluntary **LA/LUR**. A LAP will be based on detailed engineering designs and include the following: (i) proposed project, considered design alternatives, and the detailed justification of the selected design options; (ii) LA/LUR assessment, including the screening and/or scoping activities, the census and socioeconomic baseline studies, and the assessment and valuation of lost assets and livelihood resources; (iii) **stakeholder** engagement activities in accordance with ESS10 and ESS5; (iv) planned mitigation measures; (v) legal and policy gap analysis comparing the **host country's applicable laws** for LA/LUR with the requirements of ESS5, and gap-filling measures; (vi) entitlement matrix for mitigation and compensation; (vii) **livelihood** and income restoration measures, livelihood improvement measures as applicable, and measures necessary for relocation and

resettlement; (viii) LA/LUR outcomes; (ix) implementation arrangements for the proposed LA/LUR mitigation measures, including sequencing them to synchronize LA/LUR activities and civil works procurement under a project; (x) monitoring, evaluation, and reporting arrangements for LA/LUR; and (xi) implementation timeline and detailed budget proportionate to the mitigation measures.

28. In cases of unanticipated **LA/LUR** risks and impacts occurring during project implementation after the preparation of a LAP, the borrower/client will conduct additional **stakeholder** engagement and LA/LUR assessment activities, develop appropriate mitigation measures, and prepare an addendum to the LAP or a new LAP for such unanticipated impacts with an amended entitlement matrix that does not lower the standards of the original and is in accordance with the provisions and requirements of the original LAP and ESS5.

b. Land Acquisition Framework

29. The borrower/client will, in consultation with ADB, prepare a LAF for projects or project subcomponents for which the detailed engineering design of project facilities has not been completed and/or for which a complete **LA/LUR** assessment in line with paras. 18–25 is not yet achieved, and where the nature and magnitude of LA/LUR are still uncertain during project preparation. The LAF will establish a project’s general principles, approach, and procedures for the assessment and mitigation of all probable types of LA/LUR risks and impacts and for the preparation of a future LAP. A LAF will include the results of an appropriate and feasible scoping to identify potential LA/LUR risks and impacts, as well as indicate all other applicable arrangements as per the LAP structure and incorporate a tentative budget with adequate contingencies. Should the borrower/client pursue the preparation of a LAF, the borrower/client will demonstrate availability of monetary and institutional resources and commitment to undertake all outstanding LA/LUR assessment and planning activities. When updating a LAF or preparing a LAP, the borrower/client may update the original entitlement matrix in accordance with identified LA/LUR impacts while not lowering the standards set in the original matrix. All LAFs will be publicly disclosed on the ADB website.

c. Private Sector Projects with Government-Managed Land Acquisition and Land Use Restriction

30. In private sector projects where **LA/LUR** is the responsibility of the **host country** government, the client will: (i) engage the competent government authorities early in the project development process to explore ways and means to reach compliance with ESS5; (ii) identify gaps between the requirements under the **host country’s applicable laws** and the practices of the competent government authorities against the requirements of ESS5; (iii) take responsibility for bridging the gaps in a manner that is acceptable to ADB; and (iv) collaborate with the competent government authorities, to the extent permitted, to achieve outcomes that are materially consistent with the objectives of ESS5. A client will prepare a plan to complement the documents prepared and implemented by the competent government authorities, if necessary to satisfy the requirements set out in this paragraph. Such a plan will include proposed measures to bridge any gaps with requirements of ESS5 and the financial and implementation responsibilities of the competent government authorities and the client in the execution of the plan. The client will retain the responsibility for providing monitoring, evaluation, and reporting of government-managed LA/LUR activities.

d. Budget and Fund Flow

31. The borrower/client will prepare a definitive overall **LA/LUR** budget proportionate to the required LA/LUR-related planning, mitigation, and monitoring, evaluation, and reporting activities, including (i) **stakeholder** engagement, LA/LUR assessment, cash and in-kind compensation, **livelihood** restoration and livelihood improvement, relocation and resettlement, and other assistance and corrective actions; (ii) LA/LUR staffing and related operational cost; (iii) all LA/LUR-related capacity building measures; and (iv) progress monitoring, including internal and external, evaluation and reporting of all LA/LUR-related activities. The budget will be itemized in line with the LA/LUR risks and impacts and activities, and will indicate the unit types, unit rates, the number of units, and the cost. The budget will contain adequate contingencies to finance corrective actions as well as the planning and mitigation of unanticipated impacts, if any. The borrower/client will consider allowances for

inflation, population growth in a project area, and any other potential contingencies to meet the **replacement cost** requirement. The applicable LA/LUR budget(s) will be specified in a LAP and LAF, ESCP/ESAP, and other project documents, as applicable. For projects using a LAF, the borrower/client will prepare an estimated tentative budget based on scoping of anticipated LA/LUR risks and impacts and with sufficient contingency, with a commitment for future allocations of funds for a LAP to be developed and implemented during the implementation phase of a **project cycle**.

32. The borrower/client will ensure the availability and timeliness of the required funds. In each LAP and LAF, the borrower/client will describe how **LA/LUR** activities will be financed, including how ADB funding will be applied, if any. The borrower/client will also describe the channels and procedures for the transfer of funds to **project-affected persons**. Any cost arrangements with service providers, including nongovernmental organizations, community-based organizations, and other providers of training and support services will also be described in a LAP and LAF.

4. Monitoring, Evaluation, and Reporting

33. For all projects with **LA/LUR** risks and impacts, the borrower/client will establish procedures for and monitor progress and outcomes of a LAP and LAF, and evaluate its implementation as applicable. The extent of monitoring will be proportionate to the nature and scope of a project's potential LA/LUR risks and impacts. The borrower/client will carry out **stakeholder** engagement with the participation of **project-affected persons**, including women and **disadvantaged or vulnerable** persons, as well as other relevant stakeholders, and will consider their concerns and feedback as part of monitoring activities. The borrower/client will report on the status of the delivery of mitigation measures to all project-affected persons, with particular attention to disadvantaged or vulnerable persons and provide a gender-disaggregated analysis of mitigation activities. The borrower/client will ensure the availability of designated financial and staff resources to undertake monitoring, evaluation, and reporting. All reports will be publicly disclosed on the ADB website.

34. The borrower/client will prepare the following monitoring reports:

- (i) At least a semiannual internal progress monitoring report, commencing from the start of the implementation phase of a **project cycle**, at the latest. The borrower/client will confirm the implementation of a LAP for relevant project components before commencement of civil works through a confirmation review report, to demonstrate that (a) cash compensation of lost assets and **livelihood** resources at full **replacement cost** and additional financial assistance for livelihood restoration and for the relocation of physically displaced persons, have been paid to each eligible displaced person; (b) entitlements to in-kind replacement of lost assets and livelihood resources at full replacement value, including relocation of physically displaced persons by a project, are provided to each eligible **project-affected persons**; and (c) a livelihood restoration program, supported by an adequate budget, is in place. For projects with significant **LA/LUR** risks and impacts, the borrower/client will hire qualified and experienced external social monitoring experts other than their internal social specialists to undertake external progress monitoring to verify and validate the borrower's/client's monitoring information through external monitoring report.
- (ii) The borrower/client will undertake completion reporting upon completion of LA/LUR and livelihood restoration activities in order to demonstrate a project's full compliance with the requirements of ESS5, and the applicable LAP and LAF. The borrower/client will ensure that a project will not be closed until the LA/LUR completion report is prepared, and submitted to ADB for review and disclosure, and related CAPs, if any, are fully implemented. For projects with significant LA/LUR risks and impacts, such completion reporting will be required and will be undertaken by external social monitoring experts.
- (iii) For projects with significant LA/LUR risks and impacts, the borrower/client will undertake an external evaluation, conducted by external social monitoring and evaluation experts to assess the outcomes of LA/LUR mitigation 12 months after the completion of all LA/LUR-related activities or as agreed under the ESCP/ESAP. Should gaps in achieving LA/LUR outcomes be identified, the borrower/client will prepare a CAP.

35. The borrower/client will ensure that the external social monitoring and evaluation experts have full access to all **LA/LUR**-related information.

36. The borrower/client will develop and disclose a CAP and take corrective actions at any stage of a **project cycle** when necessary to achieve the objectives of ESS5. A CAP will describe all cases of noncompliance and respective activities required to reach compliance with ESS5, and include a budget, implementation arrangements, allocation of roles and responsibilities, and an implementation schedule. The implementation of CAPs will be monitored and documented as part of progress monitoring. The borrower/client will not apply CAPs in lieu of timely **LA/LUR** assessment and mitigation.

37. The borrower/client will support third-party monitors whom ADB may directly engage to monitor and evaluate the **LA/LUR** planning and implementation process and outcomes. The borrower/client will share all relevant information and otherwise facilitate access to related project areas for such monitors.

38. For projects involving civil works and assessed to be without **LA/LUR** risks and impacts, the borrower/client will confirm a continued absence of LA/LUR risks and impacts through project reporting mechanisms. The borrower/client will ensure that any unanticipated LA/LUR risks and impacts are noted, assessed, and addressed in accordance with ESS5.

5. Institutional Arrangements and Integration with Other Project Activities

a. Organizational Capacity

39. The borrower/client will establish, maintain, and strengthen, as necessary, an organizational structure that defines roles, responsibilities, and authority to plan and implement **LA/LUR** in accordance with ESS5. The institutional arrangements for the management of LA/LUR will be reflected in an ESCP/ESAP, LAP, and LAF, as relevant, as well as any other relevant **E&S assessment and management document**.

b. Integration with Project Design, Procurement, and Contract Management Activities

40. The borrower/client will prepare a detailed time-bound schedule for all **LA/LUR**-related activities, and integrate such schedule fully with project design, procurement, and civil works contract management activities. The schedule will stipulate the preparation and completion of a LAP in relation to civil works contract signing depending on procurement modality, and the implementation of a LAP before the commencement of civil works. For projects and project components involving employer design, the borrower/client will award such contracts after a LAP is prepared and cleared by ADB. For projects and project components involving contractor design, the borrower/client will include additional measures in a LAP and procurement documentation to avoid economic and physical displacement prior to LA/LUR risk and impact mitigation. The borrower/client will ensure that project LAP and LAF provisions apply to project components, which fall under retroactive financing and advance procurement.

41. The borrower/client will ensure that all provisions related to the assessment, mitigation, and reporting of **LA/LUR** risks and impacts as well as other impacts which may result in **economic** and/or **physical displacement** are included in bidding documentation and contractors' contracts.

6. Treatment of Disadvantaged or Vulnerable Persons

42. The borrower/client will identify, assess, and address risks to and impacts on **disadvantaged or vulnerable** persons in the planning and implementation of **LA/LUR** throughout the concept design, preparation, and implementation phases of a **project cycle**. The borrower/client will take into account gender considerations, and vulnerabilities related to the lack of legal or recognizable rights to **land** or other assets, as well as access to land for **project-affected persons** whose **livelihoods** are land-based. The borrower/client will include a gender-disaggregated analysis in the census and socioeconomic baseline

studies to generate understanding of the gender aspects of LA/LUR risks and impacts. The borrower/client will ensure that disadvantaged or vulnerable persons receive fair and appropriate mitigation measures tailored to their needs and preferences and accounting for gender and tenure considerations, as such measures pertain to modalities of compensation, provision of livelihood restoration and livelihood improvement, and relocation and resettlement measures. When the **host country's applicable laws** and tenure systems do not recognize the rights of women to hold or exchange property, provision will be made to ensure, to the extent possible, that women can gain **security of tenure**.

B. Mitigation of Risks and Impacts from Involuntary Land Acquisition and Land Use Restriction

1. Compensation and Benefits for Project-Affected Persons

43. To mitigate the risks and impacts caused by involuntary **LA/LUR**, the borrower/client will offer **project-affected persons** compensation at **replacement cost**, and other assistance as may be necessary to help project-affected persons improve or at least restore their standards of living and **livelihoods**. Compensation standards for affected **land** and assets will be disclosed and applied consistently. In all cases, a clear basis for the calculation of compensation will be documented, and compensation distributed in accordance with transparent procedures.

44. **Project-affected persons** with a formal legal right to **land** or assets under para. 13(i) or with a claim to **land** or assets that is recognized or recognizable under the **host country's applicable laws** under para. 13(ii), are entitled to compensation for the loss of their land and other assets with equivalent replacement land and assets or cash compensation at **replacement cost**. Project-affected persons with a recognizable claim to land or assets will be provided by a borrower/client with free legal support to obtain formal recognition of their claim. Project-affected persons without a formal legal right or recognizable claim to the land or asset as defined under para. 13(iii), and who occupy and/or use the land prior to a publicly established cut-off date, are entitled to compensation for their lost non-land assets at replacement cost, but not for land. To enable the reestablishment of residential or business premises and livelihoods of project-affected persons under para. 13(iii), the borrower/client will provide arrangements for access to adequate housing and/or facilities with secure tenure. Based on consultations with such project-affected persons, the borrower/client will provide resettlement assistance in lieu of compensation for land sufficient for them to restore their livelihoods, standard of living, and/or their business at an adequate alternative site.

45. Payment of cash compensation for lost **land** or assets at **replacement cost** may be appropriate where: (i) **livelihoods** are not land-based; (ii) livelihoods are land-based but the land taken for a project is a small fraction of the affected asset and the residual land is economically viable; or (iii) active markets for land, housing, and labor exist, **project-affected persons** use such markets, and there is sufficient supply of land and housing available through such markets. The borrower/client will give preference to land-based compensation strategies for project-affected persons whose livelihoods are land-based, or the land is collectively owned. The term land-based includes livelihood activities such as subsistence agriculture and related value addition activities, rotational cropping, and grazing of livestock as well as harvesting of **natural resources**. Replacement land and assets offered to project-affected persons will be at least equivalent in their material characteristics and use value in terms of their quality, productive potential, quantity, and purpose and will be provided with **security of tenure** and similar locational advantages. Where there is insufficient suitable replacement land available, the borrower/client will demonstrate and document this in a LAP.

46. The borrower/client, at the request of **project-affected persons**, will assess and acquire entire **land** parcels if partial acquisition would render the remainder economically unviable, or make the remaining parcel unsafe or inaccessible for human use or occupancy.

47. The borrower/client will take possession of **land** and related assets only after compensation in accordance with ESS5 has been made available and, where applicable, physically displaced persons have been resettled with applicable assistance and entitlements provided. For the relocation of physically displaced persons, the borrower/client will make relocation sites, replacement properties, and associated public services, amenities, and utilities available before **physical displacement**.

At a minimum and in exceptional cases as supported by adequate justification, the borrower/client will ensure relocation to temporary intermediate premises of equal or better quality and use value for a limited period of time generally not exceeding 1 year, and will formally commit, guarantee, and document all necessary arrangements for the transition to permanent relocation sites and replacement property.

48. Persons physically displaced from their residential or business premises temporarily or permanently are entitled to relocation and resettlement measures. The borrower/client will consult physically displaced persons on their preferences for relocation and resettlement and may offer options for either relocation by the project in resettlement sites or in individual residential and business premises, or self-relocation. The borrower/client may offer a choice between a replacement property of equal or higher value with **security of tenure**, equivalent or better characteristics, including advantages of location, or cash compensation at full replacement cost in accordance with eligibility criteria set out in para. 44. After **meaningful consultation** on the relocation and resettlement process, the borrower/client will inform physically displaced persons with adequate advance notice of the timing of relocation, taking potential impacts on agricultural and schooling calendars, among other factors, into consideration. Persons whose livelihoods are affected by relocation and resettlement, including lost income during the period of transition to relocation sites, will be compensated by the borrower/client in accordance with the requirements for **livelihood** restoration and livelihood improvement under paras. 53 and 54 of ESS5. Particular attention will be paid to the differentiated needs of **disadvantaged or vulnerable** project-affected persons. The borrower/client will improve the living conditions of such project-affected persons through the provision of adequate housing, access to services and utilities, and security of tenure. Where the borrower/client demonstrates that a project-affected person derives substantive income from multiple illegal rental units, the compensation and other assistance that would otherwise be available to such a project-affected person for non-land assets and livelihood restoration may be reduced with the prior agreement of ADB.

49. When offering resettlement sites, the borrower/client will ensure that such sites or the locations for individual housing and business premises offered by a project will include comparable or better essential public services and utilities, such as water and electricity supply, schools, health care, shopping, government offices, and the like. The borrower/client will consult **project-affected persons**, including **host communities**, as well as competent government authorities, to identify and agree upon such suitable options. The borrower/client will ensure that the cost of the establishment of new or improved existing public services and utilities will be borne by a project. For the preparation, construction, and occupation of a resettlement site, an E&S assessment will be undertaken by the borrower/client as required by ESS1 and ESS5, and mitigation plans will be prepared and implemented in accordance with the applicable standards of the Environmental and Social Framework (ESF).

50. All physically displaced persons will be provided by the borrower/client with financial and logistical transition, moving, and relocation assistance. The borrower/client will document all transactions to acquire **land** rights, provision of compensation, and other assistance associated with relocation activities. All transition and transaction costs, including the cost of transport of personal effects and furnishings of lost residential premises and/or the transfer and reinstallation of the plant, machinery, or other equipment of lost business premises, in addition to logistical and administrative costs, survey and titling costs, as well as the cost of transition housing, if required, will be borne by a project or included in cash compensation.

51. The borrower/client will assess and mitigate any potential risks for and adverse impacts on **host communities** due to the relocation and resettlement of persons displaced by a project in accordance with ESS5 and any other relevant ESSs. The host communities will be fully informed and consulted about a project's adverse impacts and mitigation measures in accordance with ESS10.

52. The borrower/client will not resort to **forced eviction** of **project-affected persons**. **Forced eviction** is defined as the permanent or temporary removal against the will of individuals, families, and/or communities from the homes and/or **land** which they occupy without the provision of, and access to, appropriate forms of legal and other protection, including all applicable requirements under ESS5. The exercise of compulsory acquisition or similar powers by the borrower/client will not be considered to be forced eviction providing it complies with the requirements of the **host country's applicable laws** and

the provisions of ESS5, and is conducted in a manner consistent with the basic principles of due process, including provision of adequate advance notice, **meaningful consultation** and opportunities to lodge grievances and appeals, and avoidance of the use of unnecessary, disproportionate, or excessive force.

2. Livelihood Restoration and Livelihood Improvement

53. In projects where **economic** and/or **physical displacement** causes loss of **livelihood** and/or income sources, the borrower/client, supported by competent expertise, will undertake a livelihood restoration program proportionate to the severity of **LA/LUR** risks and impacts, to assist all **project-affected persons** in their efforts to improve or at least restore their **livelihoods** and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher. The borrower/client will assist **disadvantaged or vulnerable persons** in improving their livelihoods by providing livelihood opportunities tailored to the special needs of such persons. The borrower/client will identify all eligible project-affected persons and ensure it has adequate budget formally allocated and made available to provide agreed livelihood restoration and improvement, prior to taking possession of **land** and related assets.

54. The requirement for **livelihood** restoration applies to all persons affected by livelihood losses, irrespective of the status of legal rights to the **land** or assets from which they are displaced, including owners, operators, cultivators, employees, lessees, and sharecrop tenants, as well as the users of **natural resources** located on acquired or restricted land. **Physical displacement** of businesses may cause long-term interruptions requiring appropriate business relocation and transition support measures, while business closures will necessitate comprehensive financial compensation, including adequate staff retrenchment measures and plans. The livelihood restoration program implemented by the borrower/client will reflect an assessment of opportunities for livelihood restoration and improvement as applicable and proportionate to **LA/LUR** impacts. The program will include a combination of, but not be limited to, employment and business development, credit facilities, supply of agricultural or manufacturing inputs, skills training, additional revenues and services through benefit sharing schemes where applicable, and cash compensation. The borrower/client will assess the need for and deliver adequate transitional income and livelihood support and assistance to **project-affected persons** to enable such persons to regain their livelihoods within a reasonable time. Livelihood losses due to impacts on income generation activities producing illicit goods and services may be restored by providing opportunities for the economically displaced persons, provided the transition is to alternative livelihoods and legal activities.

3. Use of Escrow or Similar Arrangements

55. In cases where there are legal and administrative impediments to the disbursement of cash compensation such as the failure of repeated efforts to contact absentee owners, the rejection of fair compensation offers by **project-affected persons** or ongoing legal proceedings due to competing claims to the ownership of **land** or assets, the borrower/client, on an exceptional basis and with prior agreement of ADB, may deposit the respective compensation funds indicated in a LAP in an interest-bearing escrow or other deposit account, after demonstrating that all reasonable efforts to resolve such constraints have been made. The borrower/client may then proceed with the relevant project activities provided all other available project-affected persons have been provided with applicable mitigation measures due and owing in accordance with ESS5. Compensation deposited in an escrow account will be indexed for inflation and made available to eligible project-affected persons in a timely manner as issues are resolved. Through a LAP and progress monitoring, the borrower/client will inform and seek prior agreement from ADB on the use escrow accounts or similar arrangements in lieu of disbursement of compensation before taking possession of the land and other assets.

4. Negotiated Settlement

56. The requirements set forth in section IV.A and IV.B apply to negotiated settlements, which are defined in para. 11(i) and are considered involuntary **LA/LUR**. While the borrower/client will offer adequate, fair, and agreeable prices and/or replacement assets for lost assets and **livelihood** resources, the rates for sale prices will be at least at **replacement cost**, and in-kind compensation will be at least at replacement value. Compensation rates may be subject to upward adjustment

where negotiation strategies are employed. The borrower/client will apply all additional assistance and livelihood restoration measures as appropriate. The borrower/client will ensure that under negotiated settlements the risks of asymmetry of information and bargaining power of the parties involved in such transactions are mitigated. For this purpose, relevant external social monitoring experts will be engaged by the borrower/client to verify and document the negotiation and settlement process and assess its compliance with the requirements of a LAP and ESS5 in monitoring reports.

5. Land Use Restriction

57. To address the mitigation of **livelihood** losses caused by land use restriction, the borrower/client will either permit continued, regulated, and/or restored access to project-affected **land** and resources, or provide access to **culturally appropriate** alternative resources with equivalent livelihood- and income-earning potential and accessibility. The borrower/client will assist **project-affected persons** to enhance the productivity of the remaining land and resources to which they have access. In case of a temporary access restriction due to project construction works, the borrower/client will provide alternative access routes with appropriate community safety measures. The borrower/client will compensate the temporary loss to project-affected persons due to unavoidable access restrictions at **replacement cost** for the duration of the restriction. The borrower/client will mitigate the **physical displacement** of persons affected by land use restrictions through relocation and resettlement measures in accordance with the provisions for relocation and resettlement under ESS5.

C. Requirements for Voluntary Land Acquisition and Land Use Restriction

1. General Criteria and Due Diligence Requirements

58. If voluntary arrangements are proposed to be used to acquire land or restrict land use for project purposes, the requirements set forth in this section IV.C apply. The borrower/client will confirm and provide evidence satisfactory to ADB, as relevant, that the requirements of this section IV.C have been met.

59. In order for **LA/LUR** to be considered voluntary, the following criteria apply:

- (i) The transaction is conducted in an open and transparent manner, with timely and complete information provided to **project-affected persons** sufficient to enable their informed choice.
- (ii) Project-affected persons have the right to refuse the LA/LUR, have been given full opportunity to effectively exercise that right, and have confirmed in writing their decision not to exercise the right of refusal.
- (iii) No coercion, intimidation, bribery, or undue influence is used to influence the decision of the project-affected persons.
- (iv) There is no threat of expropriation or other compulsory procedure if parties do not reach an agreement.
- (v) The terms of the transaction ensure that project-affected persons are benefiting from the transaction and receiving fair value in exchange for the rights being voluntarily relinquished.
- (vi) Project-affected persons are not rendered **disadvantaged or vulnerable** as a result of the transfer of their land rights.
- (vii) Project-affected persons will not be required to vacate **land** or relinquish land rights until compliance with the above criteria and with other relevant requirements set forth below is confirmed.

60. Where voluntary **LA/LUR** may result in the displacement of persons, other than the parties to the transaction, who occupy, use, or claim rights to the **land** in question, such displacement is considered involuntary and is addressed and mitigated in accordance with section IV.B.

2. Requirements Applicable to Specific Methods of Voluntary Land Acquisition/Land Use Restriction

a. Voluntary Land Donation

61. In some projects, it may be proposed that part or all of the **land** to be used by a project is donated on a voluntary basis without provision or only partial provision of compensation. Subject to prior agreement with ADB, the borrower/client may employ voluntary land donation provided the borrower/client demonstrates in a LAP that the criteria in para. 59, as well as the following additional requirements are met: (i) the amount of land being donated is minor and will not reduce the donor's remaining land area below that required to maintain the donor's current livelihood levels; (ii) no **physical displacement** is involved; (iii) the donor(s) are expected to benefit directly from project activities; (iv) for community or collective land, donations can only occur with the consent of all individuals using or occupying the land; (v) project components are not site-specific; and (vi) the borrower/client maintains a transparent record of auditable quality of all consultations and agreements reached and reflects them in a LAP. Voluntary **land** donation is also subject to the General Requirements in section IV.A, modified as appropriate to reflect the nature of the transaction and proportionate to the risks and impacts involved.

b. Land Pooling and Readjustment

62. In some projects supporting rationalization of urban space or enhanced agricultural productivity, the borrower/client may seek the agreement of **project-affected persons** to participate in a land pooling and land readjustment arrangement. Participants in such arrangements may elect to accept a partial loss of land or localized relocation in return for improvements that will increase the value of their property after development. The LAP will provide a comprehensive account of the process of reaching agreement and demonstrate the voluntary nature of the transactions agreed, applying the criteria set forth in para. 59. It will provide a credible analysis and evidence-based calculations demonstrating the expected increase in value that the project-affected persons will realize. The land pooling and readjustment process will be supported by adequate financial resources for administrative, implementation, and construction costs as specified in the budget of a LAP. The borrower/client will ensure transitional arrangements are in place so that project-affected persons are not adversely affected during the period between the initiation of development and the completion of improvements. The **physical displacement** of persons participating in land pooling and readjustment will be avoided as much as possible and where avoidance is not possible, project-affected persons will be compensated for affected assets and supported by relocation assistance in cash and/or kind in accordance with ESS5. Land pooling and readjustment is subject to the General Requirements in section IV.A, modified as appropriate to reflect the nature of the transaction and proportionate to the risks and impacts involved.

c. Voluntary Land Use Restriction in Community-Based Natural Resource Management

63. Community-based natural resource management projects may entail voluntary collective agreement by a community to restrict access to resources that are being managed or conserved. In such cases, the borrower/client will ensure that a project engages the participating community, and especially all of the economically displaced community members with landownership or use rights, in a participatory and consensus-based process, to design and establish **land** use restrictions and alternative land use practices which simultaneously protect **natural resource** bases and the **livelihoods** of **project-affected persons**. The borrower/client will document the commitment of a community, with particular attention to those most affected and to the agreed land use restrictions and modified land use practices and clarify how the livelihoods of the community members will be protected, restored, and improved. The borrower/client will apply the criteria in para. 59 and confirm in a LAP that the agreement reached reflects voluntary, informed consensus through a transparent and fair decision-making process. Because conservation measures may have adverse livelihood implications, particularly for **disadvantaged or vulnerable** households, a LAP will assess the nature and extent of such adverse impacts and appropriate mitigation measures will be agreed with the community and supported by the borrower/client. The General Requirements in section IV.A apply to such transactions, modified as appropriate to reflect the nature of the transaction and proportionate to the LUR risks and impacts involved.

d. Voluntary Sale and Purchase of Land Through Legally Recorded Market Transactions

64. Voluntary **land** acquisition may entail voluntary, legally-recorded market transactions such as transfer of formal ownership rights through the sale and purchase of land and other assets or other similar transactions between a willing seller and a willing buyer in which the seller is given a genuine opportunity to retain land and/or other assets and to refuse such transactions. The requirements in section IV.A and IV.B do not apply to such transactions, provided the following conditions are met. Through the E&S assessment process described in ESS1, the borrower/client will transparently document the process and outcomes of the transaction, demonstrate the free consent of the sellers to the sale of land and/or other assets, and confirm that the voluntary sale will not render the sellers **disadvantaged or vulnerable**. For this purpose, the borrower/client will agree with ADB on **meaningful consultation** processes, policies, the **host country's applicable laws**, qualified third-party validation, mechanisms for calculating the **replacement cost** of land and other assets affected, and record-keeping requirements. For market transactions which occurred prior to ADB involvement in a project, including those done by a third party, the borrower/client will conduct due diligence to confirm the sale was consistent with the above characteristics.



Terraced fields, Nepal.

ANNEX: INDICATIVE OUTLINE OF LAND ACQUISITION AND LAND USE RESTRICTION PLAN AND FRAMEWORK

1. This Appendix is part of ESS5 and provides guidance for the documentation required to be prepared and publicly disclosed on ADB website, and to the project-affected persons by the borrower/client in accordance with ESS5 and ESS10. Projects may use alternative nomenclature, depending on the scope and types of **land acquisition** transactions.

I. Indicative Outline Land Acquisition/Land Use Restriction Plan

2. The scope of requirements and level of detail of a land acquisition plan (LAP) may vary with the magnitude, complexity, and types of **land acquisition and land use restrictions (LA/LUR)**. The plan is based on up-to-date detailed engineering designs-based information about LA/LUR risks and impacts as determined under the scope of ESS5, and based on meeting all assessment requirements under ESS5.

3. A LAP will contain the following:

A. Executive Summary

This section provides a summary of the project scope, the purpose of the LAP, the key findings of the assessment of LA/LUR risk and impacts, the modes of LA/LUR adopted and the planned mitigation measures, the institutional arrangements for project and LA/LUR planning and implementation, and the overall budget for LA/LUR.

B. Project Description

This section summarizes a project and project area, including its E&S context, and documents design alternatives considered to avoid and minimize **LA/LUR** risks and impacts, with detailed justification of the selected design options considering E&S, technical and financial costs, and benefits.

C. Land Acquisition/Land Use Restriction Assessment

This section reports on the methodologies, findings, and conclusions of the census and socioeconomic baseline studies carried out and the magnitude and types of **LA/LUR**-related losses caused by a project, as well as the social specialists and valuation experts engaged to undertake the LA/LUR assessment, including the following:

- (i) summary of screening and scoping activities conducted in accordance with ESS1, to determine the scope of the social impact assessment and the modes of LA/LUR to be adopted.
- (ii) results of the census and socioeconomic baseline studies based on detailed engineering designs to: (i) define, identify, and enumerate the number and types of all **project-affected persons** and communities, including **host communities**, if any, as well as their relevant social, economic, and cultural characteristics; and (ii) to ascertain their ownership and use rights with respect to **land** and other assets to determine their eligibility to compensation and assistance. All data and information are disaggregated by gender and for **disadvantaged or vulnerable** groups, and are supported by tables and diagrams, as applicable.
- (iii) inventory, detailed measurement survey, and valuation of all losses, to identify and value the loss of **land** and other assets, land use rights and sources of **livelihood**.
- (iv) synchronization of LA/LUR assessments with the preparation of a detailed engineering design of project facilities.
- (v) identification of impacts with a pending assessment.

D. Stakeholder Engagement

This section documents **stakeholder** engagement activities during **LA/LUR** planning and those to be undertaken during LAP implementation, including stakeholder identification, information disclosure, and grievance mechanism.

E. Legal and Policy Framework

This section provides a legal gap analysis comparing the **host country's applicable laws** with the requirements of ESS5 and indicates measures adopted to fill any gaps. The analysis focuses on the **LA/LUR** process, eligibility criteria for compensation and assistance, and valuation methods and entitlements relevant to a project's assessed LA/LUR risks and impacts.

F. Planned Mitigation Measures

This section documents mitigation measures for all applicable permanent and temporary, full and partial types of **LA/LUR**-related losses, including:

- (i) entitlement matrix for all applicable types of losses, eligible **project-affected persons**, assistance, and entitlements.
- (ii) measures for compensation for all lost assets and access to assets and **livelihood** resources.
- (iii) options for livelihood and income restoration and improvement.
- (iv) options for relocation and resettlement, including a detailed description of principle and process of site selection and preparation.
- (v) measures to address the specialized needs of the **disadvantaged or vulnerable**.

G. Outcomes of Land Acquisition/Land Use Restriction

This section summarizes outcomes of the mitigation measures for **LA/LUR**, which will serve as indicators for monitoring and evaluation.

H. Implementation Arrangements and Timeline for Implementation of a LAP

This section describes institutional roles, capacities, and responsibilities for **LA/LUR** planning and implementation as well as the arrangements to align the LA/LUR with procurement and commencement of civil works.

I. Monitoring, Evaluation, and Reporting

This section documents the requirements and indicators for internal and external monitoring and evaluation of the implementation of a LAP, as applicable.

J. Budget and Timeline

This section indicates itemized **LA/LUR** budget and the flow of funds and includes a timeline for LAP implementation.

K. Appendix of the Land Acquisition Plan

This section provides documentary evidence to support the results of the assessment of **LA/LUR** risks and impacts, and any other relevant information such as minutes and attendance lists of consultation events, detailed impact and compensation registers for all **project-affected persons**, baselines questionnaires, valuation reports, cut-off date, notifications, maps and photographs for the locations of planned project facilities and affected properties, among other items. Documents in local language will be translated into English.

II. Indicative Outline of Land Acquisition Framework

4. The purpose of a land acquisition framework (LAF) is to: (i) establish principles, approach, and procedures for the assessment and mitigation of all potential types of **LA/LUR** risks and impacts in a project, and for the preparation of required future LAPs; (ii) present the results of the scoping assessment to identify potential LA/LUR risks and impacts if preparation of a LAP is not yet feasible; and (iii) estimate a budget based on such proportionate and feasible scoping. The LAF structure follows the same outline as that of a LAP.





Tropical Jetty, Solomon Islands (photo by Francesco Ricciardi).

Biodiversity Conservation and Sustainable Natural Resources Management



ESS6

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 6 recognizes that the conservation of **biodiversity** and sustainable management of **living natural resources** are fundamental to sustainable development.
2. ESS6 recognizes the importance of maintaining the core **ecological functions** of **habitats** and **biodiversity** they support. Biodiversity underpins **ecosystem services** valued by humans and impacts on biodiversity often adversely affect the delivery of ecosystem services.
3. ESS6 recognizes that the **livelihoods** of **Indigenous Peoples** and other **project-affected persons** who access or use **ecosystem services** may be disproportionately impacted by project activities.

II. OBJECTIVES

- a. Protect and conserve **biodiversity, ecological function** and **connectivity** in a changing climate.
- b. Apply the **mitigation hierarchy** and the **precautionary approach** to achieve a minimum of **no net loss** and, preferably, a **net gain** of biodiversity.
- c. Maintain the benefits from **ecosystem services** and promote the sustainable management and use of **living natural resources**.

III. SCOPE OF APPLICATION

4. The applicability of ESS6 is established during the environmental and social (E&S) assessment process described in ESS1.

IV. REQUIREMENTS

5. The E&S assessment process described in ESS1 will be used to determine potential direct, indirect, landscape-level, and cumulative project risks and impacts to **biodiversity** and **ecosystem services** and the applicability of ESS6. It will especially focus on **habitat** loss, degradation, and fragmentation, loss of species diversity and abundance, **invasive alien species**, overexploitation, hydrological changes, nutrient loading, **pollution**, and projected **climate change** risks and impacts.

6. The borrower/client will use project screening and scoping to determine the requirements for a biodiversity assessment, in consultation with ADB. The extent of the assessment will be proportionate to the nature and scale of potential risks and impacts of a project and the sensitivity of the **biodiversity** and **ecosystem services** that could be affected. The scoping process will also be used to determine the potential presence of **natural habitats, priority biodiversity features, critical habitats, protected areas, and internationally-recognized areas** in a project-affected area. It will also determine any specific requirements for projects on sustainable natural resource management.
7. The borrower/client will ensure that the biodiversity assessment applies **good international practice (GIP)**, in consultation with ADB, and will retain appropriate experts as determined through the E&S assessment process described in ESS1.
8. The biodiversity assessment will be quantitative to the extent possible, depending on the nature and scale of a project's potential risks to, and impacts on, **biodiversity**. It will also consider other qualitative information, including local and traditional knowledge where relevant. The biodiversity assessment will be proportionate to the risks and impacts identified and may be stand-alone or may be integrated into the E&S assessment process described in ESS1. Based on the results of the biodiversity assessment, the borrower/client may be required to undertake additional studies and/or monitoring linking to wider assessment work such as on **environmental flows**.
9. The borrower/client, as part of the biodiversity assessment, will also consider and, where possible, quantify a project's dependence and impacts on **ecosystem services** within the project-affected area, as well as the use of and dependence on ecosystem services and **natural capital** by project-affected communities, including **Indigenous Peoples**.
10. As a priority, the borrower/client will avoid adverse impacts to **biodiversity** and **ecosystem services**. Where avoidance is not possible, the borrower/client will follow the **mitigation hierarchy** to minimize or restore adverse impacts within a project-affected area. The borrower/client will only consider **offsets** as a last resort, where any significant residual impacts remain despite best efforts to avoid, minimize, or restore adverse impacts.
11. The borrower/client, in consultation with ADB, will ensure all **biodiversity** assessment and development of subsequent **E&S assessment and management documents** are appropriately completed and competent experts are involved. The borrower/client will use best efforts to follow **GIP** on the disclosure of project-related biodiversity data, in consultation with ADB.
12. The borrower/client will ensure activities comply with the **host country's applicable laws**, including those implementing the **host country's** obligations under international laws. Such laws, where they exist, may include those related to access and benefit-sharing in the utilization of **genetic resources**. In the absence of a host country's applicable laws on a specific topic, the borrower/client will follow the relevant **GIP**.
13. If there are significant changes to a project that result in additional risks to, or impacts on, **biodiversity**, the borrower/client will update relevant **E&S assessment and management document(s)** accordingly, setting out any additional mitigation measures. Where these will impact **project-affected persons**, including **Indigenous Peoples**, the borrower/client will conduct **meaningful consultation** with **project-affected persons** on how to mitigate these risks and impacts and integrate this information into the updated document(s).

A. Biodiversity Conservation

14. Where screening or scoping, or during the E&S assessment process, has identified potential project-related risks to and impacts on **biodiversity**, the borrower/client will manage these risks and impacts by following a **precautionary approach**, applying the **mitigation hierarchy**, and implementing adaptive management practices as necessary.

15. As part of the biodiversity assessment, the borrower/client will refine results of project screening and scoping to identify the degree of **biodiversity** importance and sensitivity by categorizing **habitats** located within a project-affected area as **modified habitats**, **natural habitats** and/or **critical habitats**.

16. As part of the biodiversity assessment, the borrower/client will also identify **priority biodiversity features** which are a subset of biodiversity that is particularly irreplaceable or vulnerable. These features provide indicators of importance, sensitivity, and value and encompass (i) threatened **ecosystems**, (ii) geographically-restricted ecosystems, (iii) **threatened species**, (iv) geographically-restricted species, (v) geographically-restricted assemblages; (vi) aggregations of migratory or congregatory species; (vii) areas associated with key evolutionary processes, or (viii) **ecological function** and **connectivity** that are vital to maintaining the viability of **biodiversity** described in this paragraph. Priority biodiversity features may be present in any category of **habitat**.

17. **Modified habitats** are areas that contain a large proportion of plant and/or animal species of non-native origin, and/or where human activity has substantially modified an area's primary **ecological function** or species composition. Within modified habitats, **priority biodiversity features** may occur. If the habitat is of significant importance to priority **biodiversity** features, it also represents **critical habitat**.

18. In areas of **modified habitats**, the borrower/client will implement mitigation measures to ensure no further degradation of **habitat** and **no net loss** of **biodiversity** and consider restoration where possible. Particular measures may be required for **priority biodiversity features** depending on the nature and scale of project risks and impacts.

19. **Natural habitats** are areas composed of assemblages of plant and animal species of largely native origin, where human activity has not essentially modified an area's primary **ecological function** and species composition. Within **natural habitats**, **priority biodiversity features** may occur and if the habitat is of significant importance to the **priority biodiversity features**, it would also represent **critical habitat**.

20. The borrower/client will not implement any project activities which may cause significant adverse impacts to **natural habitats** or their **priority biodiversity features**, unless all of the following are met:

- (i) no other viable alternatives exist for the development of a project in **modified habitats**;
- (ii) a project is permitted under the **host country's applicable laws**, including those governing the priority biodiversity features, and all requirements under such laws have been complied with;
- (iii) **stakeholders** are consulted in accordance with ESS10; and
- (iv) mitigation measures are put in place, in accordance with the **mitigation hierarchy**, to ensure delivery of **no net loss**, or preferably a **net gain**, of any impacted **natural habitats** and **priority biodiversity features** over the long term.

21. **Critical habitats** are a subset of **natural habitats** and **modified habitats**, comprising areas of highest **biodiversity** value of significant importance to one or more types of **priority biodiversity features**.

22. The borrower/client will not implement any project activities which may cause adverse impacts to **critical habitat** or its **priority biodiversity features**, unless all of the following are met:

- (i) no other viable alternatives exist for the development of a project in **modified habitats** or, where not possible, **natural habitats**;
- (ii) a project is permitted under the **host country's applicable laws** including those governing the priority biodiversity features, and all requirements under such laws and international obligations, have been complied with;
- (iii) relevant **stakeholders** are consulted in accordance with ESS10;

- (iv) mitigation measures are put in place, in accordance with the **mitigation hierarchy**, to ensure delivery of a **net gain** of any potentially-impacted critical habitat or priority biodiversity features for which it was defined; and
- (v) a project is not anticipated to have a measurable adverse residual **net impact** on any other priority biodiversity features.

23. Some areas of **critical habitat** are of such high importance that the borrower/client will not implement any project activities in such areas. These areas comprise:

- (i) Alliance for Zero Extinction (AZE) sites;
- (ii) UNESCO Natural and Mixed World Heritage (WH) Sites; and
- (iii) free-flowing rivers of 500 kilometers or longer in length.

24. Project activities may be undertaken in these areas if they are specifically designed to contribute to the conservation of these areas or their qualifying interest, or as agreed by ADB.

25. Where appropriate, the borrower/client will ensure that **biodiversity** conservation measures incorporate local and traditional knowledge and practices. When **Indigenous Peoples** are affected by a project, the borrower/client will integrate measures that incorporate the traditional culture, knowledge, and practices of affected Indigenous Peoples in accordance with ESS7.

B. Protected Areas and Internationally-Recognized Areas

26. Where a project may occur within, or has the potential to adversely affect, a **protected area** and/or **internationally-recognized area**, or an area that is formally proposed for either status by a competent government authority, the borrower/client will ensure that all project activities are consistent with the objectives of such areas and will follow the relevant requirements set out for **modified habitats**, **natural habitats**, and **critical habitats**. Where no such objectives exist, the borrower/client will consult with relevant **stakeholders** to establish what these objectives will be, and then act in a manner consistent with these objectives. The borrower/client will also:

- (i) demonstrate that the proposed development in the area is legally permitted;
- (ii) comply with any government-recognized management plans for such areas;
- (iii) consult and involve **protected area** managers and **stakeholders**, in accordance with ESS10, including any **Indigenous Peoples** in accordance with ESS7;
- (iv) fully apply the **mitigation hierarchy** so as to avoid, minimize, restore or offset adverse impacts that could compromise the integrity, conservation objectives, or **biodiversity** importance of the area; and
- (v) implement programs, demonstrating additionality to any that are ongoing, to promote and enhance the conservation aims and effective management of the area.

27. The borrower/client will consider protected areas or parts of **protected area** that have recently been downgraded, downsized, or degazetted in anticipation of a project as if they are still protected.

C. Project Design and Implementation

28. For projects where potential adverse risks to and impacts on **biodiversity** are identified, the borrower/client will specify mitigation measures in a biodiversity management plan (BMP) which, according to the nature and scale of a project's risks to and impacts on biodiversity, may be a stand-alone plan or may be integrated into the environmental and social management plan described in ESS1. For projects in areas of **critical habitat** and for *High Risk* or *Substantial Risk* projects with significant biodiversity risks and impacts, the borrower/client will engage qualified experts to prepare a biodiversity action plan (BAP).

29. **Biodiversity offsets** are a last resort. Where it has been determined that they are necessary and agreed by ADB, the borrower/client will demonstrate that all other viable avoidance, minimization and restoration options have first been exhausted. The borrower/client will also demonstrate through an assessment of project risks and impacts, mitigation, and realistic **offset** gains that a project will achieve **no net loss** or a **net gain**, as applicable in ecologically comparable areas, within a reasonable time frame.

30. If **offsets** are being considered as part of a project, the borrower/client will demonstrate, as part of the E&S assessment process described in ESS1 and prior to project appraisal or final approval, the **offsetability** of the project, recognizing that some impacts are not offsettable.

31. In the event that **biodiversity offsets** are unavoidable, the borrower/client will plan **offset** implementation and financing to ensure maintenance of offset gains for at least as long as a project has impacts. Communities affected by **biodiversity offsets** will be consulted in accordance with the requirements of ESS10. These components will be described in a stand-alone biodiversity offset management plan (BOMP) or, for small-scale offsets, may be included as part of a BAP. For offsets of unavoidable impacts on **critical habitat**, the borrower/client will engage qualified experts to prepare a BOMP.

32. For a project likely to cause significant adverse impacts to **priority biodiversity features**, the borrower/client will design a long-term monitoring and evaluation program for the priority biodiversity features using relevant **E&S assessment and management document**. The program will include quantitative completion indicators or targets. For a project implemented in areas of **critical habitat** and for *High Risk* or *Substantial Risk* projects with significant biodiversity impacts, the borrower/client will produce a separate Biodiversity Monitoring and Evaluation Plan (BMEP) and will engage external experts to verify monitoring information.

D. Invasive Alien Species

33. The borrower/client will avoid, and proactively prevent, the accidental or deliberate introduction of **invasive alien species** that could have significant adverse impacts on **biodiversity**. Specifically, the borrower/client:

- (i) will not intentionally introduce alien species into areas where they are not normally found unless this is carried out in accordance with the regulatory framework governing such introduction;
- (ii) will not intentionally introduce species known to be invasive into new environments;
- (iii) will identify potential risks, impacts, and mitigation options related to accidental transfer, release, or spread of alien species;
- (iv) will comply with the **host country's applicable laws** and relevant **international instruments** including those governing international shipping of goods;
- (v) will exercise diligence in not spreading any alien species already established in the country or region of a proposed project into areas in which they have not already been established; and
- (vi) will document the mitigation of alien species risks and impacts in the BMP or BAP, as appropriate.

34. For the purposes of ESS6, living modified organisms or genetically modified organisms that are or may be transported into a **host country** are considered to be alien species, with similar potential for invasive behavior as well as potential for gene flow to related species. Any potential introduction of such organisms should be assessed in compliance with a **host country's applicable laws** and requirements set out in ESS6, and appropriate **GIP**.

E. Primary Suppliers

35. Through the E&S assessment process described in ESS1, the borrower/client will identify and assess adverse risks and impacts to **ecosystems** and **biodiversity**, which may arise in relation to **primary suppliers**. Where significant risks are

identified, the borrower/client will ensure that risk-based sustainable resource procurement, management, and verification procedures are in place to evaluate its primary suppliers. The procedures will specify that:

- (i) only supplies of a legal and sustainable origin are procured;
- (ii) the sourcing of supplies is monitored and documented; and
- (iii) procurement of **natural resources** is limited to those suppliers that can demonstrate that they are (a) not causing significant adverse impacts to **natural habitats, priority biodiversity features, critical habitats, protected areas, or internationally-recognized areas** and/or (b) supplies are not from or in the areas as set out in para. 23.

36. The ability of the borrower/client to fully address these risks will depend upon the borrower's/client's level of control or influence over its **primary suppliers**. The borrower/client will be required to demonstrate the extent to which it cannot exercise control or influence over a primary supplier by providing details of the considerations for such determination.

F. Sustainable Management of Living Natural Resources

37. The borrower/client will adhere to the requirements in ESS6 where a project involves industrial agriculture or livestock activities, including animal feed production, the primary production of **living natural resources**, or where such resources are essential for a specific project activity and without which a project cannot continue.

38. Where practices of sustainable management of **living natural resources** have been codified in standards that are globally, regionally, or nationally recognized, the borrower/client and ADB will agree on the applicable standard. Where no such standards exist for particular living natural resources that are affected by a project, the borrower/client will apply appropriate **GIP** for the sustainable management of living natural resources.

39. Where a project involves industrial livestock activities, the borrower/client will identify potential risks and address impacts to animal welfare as necessary. While respecting the **host country's applicable laws**, the borrower/client will take all reasonable steps to minimize risks to animal welfare and promote animal welfare standards that are consistent with **GIP** including the prevention of antimicrobial resistance.

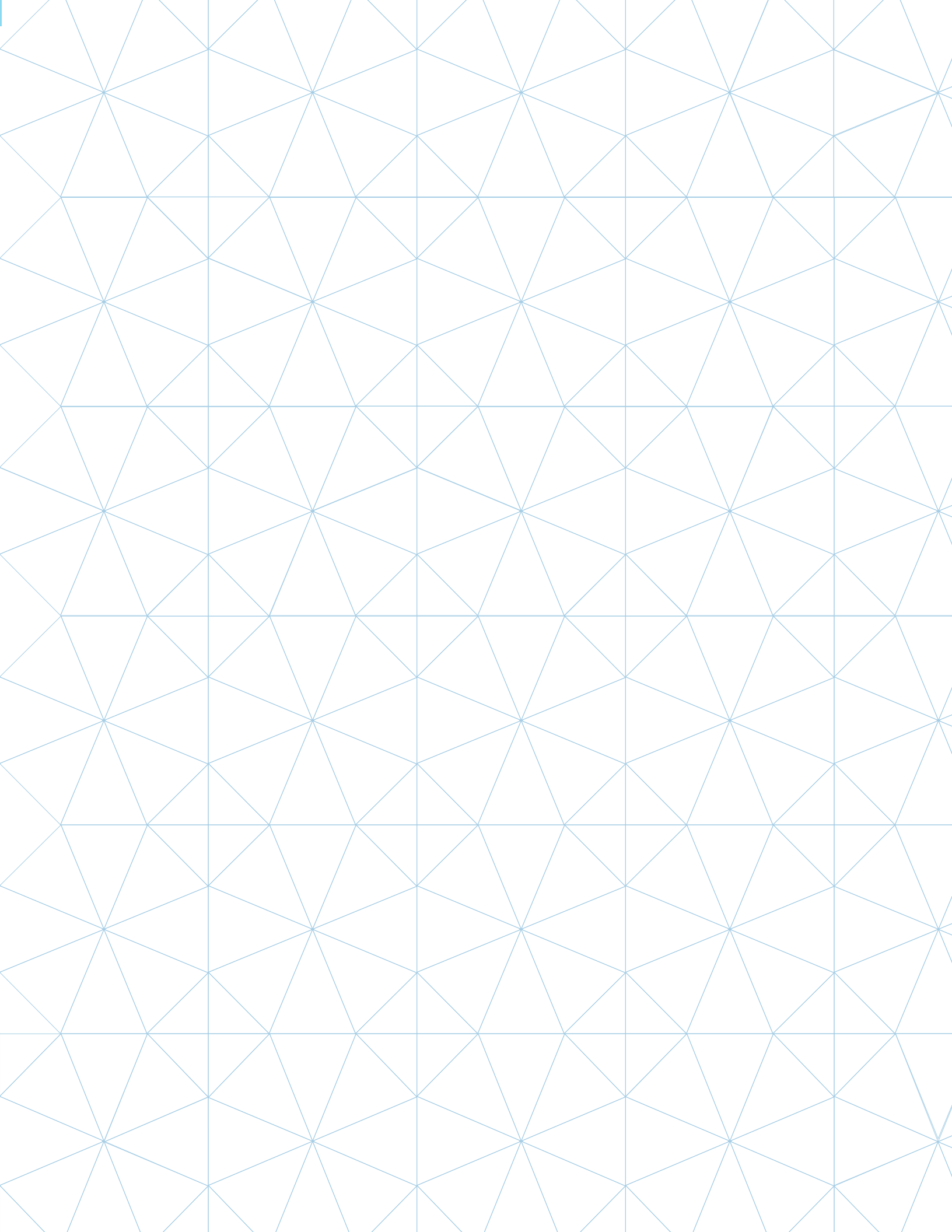
40. Where a project involving livestock production has the potential to interface with wild animals, the borrower/client will undertake additional specific assessments to identify potential risks for the spread of diseases of animals and zoonotic diseases, including the effects of livestock production on wild species.

V. MONITORING AND DISCLOSURE

41. Depending on the level of risks and impacts with regard to **biodiversity** conservation and **living natural resources** in a project, the borrower/client will, in consultation with ADB, prepare additional studies and **E&S assessment and management documents** that are required by ESS6 and as relevant to the project and its risks and impacts. As specified in ESS1, these will support the analysis of impacts and identification of mitigation measures and will be part of or may be annexed to the E&S assessment undertaken for a project.

42. The **E&S assessment and management documents** required by ESS6 may include biodiversity assessment, BOMP, BAP, and BMEP, all of which may be prepared and disclosed as stand-alone documents or as part of the project environmental and social management plan in accordance with ESS1 and ESS10. The final or updated E&S assessment and management documents, if any, will also be disclosed.

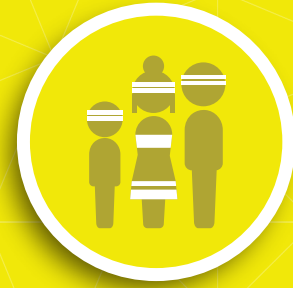
43. The borrower/client will monitor the implementation of the E&S assessment and management documents prepared under ESS6 in accordance with the requirements in the environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP), and ESS1 and ESS10.





Women from the H'mong tribe, Sapa, Viet Nam.

Indigenous Peoples



ESS7

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 7 establishes the requirements that the borrowers/clients will meet to ensure that projects affecting **Indigenous Peoples** and their cultural identities, practices, and customary lands take the necessary measures to address such impacts. Within Asia and the Pacific, individual indigenous communities reflect tremendous diversity in their cultures, histories, and current circumstances. The contexts in which such people live are varied and changing. Indigenous Peoples may be referred to in different countries by such terms that include indigenous ethnic minorities, ethnic minorities, indigenous cultural communities, aboriginals, hill tribes, minority nationalities, scheduled tribes, tribal groups, forest dwellers, hunter-gatherers, pastoralists, or other nomadic groups and may exist in more than one country context. ESS7 applies to all such groups meeting the criteria outlined in para. 7.

2. ESS7 recognizes that **Indigenous Peoples** are often among the most marginalized and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development in ways that are in accordance with their worldview. Indigenous Peoples are increasingly threatened as development programs infringe into areas that they traditionally own, occupy, use, or view as ancestral domain. Indigenous Peoples are closely linked to the lands on which they live and the natural resources on which they depend. They are particularly vulnerable if their lands and resources are transformed, encroached upon, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also come under threat. As a consequence, Indigenous Peoples may be more vulnerable to the adverse impacts associated with development projects than nonindigenous communities. They may also not receive equitable access to project benefits, or benefits may not be devised or delivered in a form that is **culturally appropriate**, and they may not always be adequately consulted about the design or implementation of projects that would profoundly affect their lives or communities.

3. The United Nations Declaration on the Rights of Indigenous Peoples was adopted by the United Nations General Assembly in September 2007. The Declaration is the most comprehensive international instrument on the rights of **Indigenous Peoples**. Many countries in Asia and the Pacific voted in favor of this declaration. ADB recognizes that Indigenous Peoples have the right to determine and develop priorities and strategies for exercising their right to development. ESS7 recognizes that Indigenous Peoples have identities and aspirations that are distinct from mainstream groups in national societies, and they do not automatically benefit from development, which is often planned and implemented by those in the mainstream or dominant population in the countries in which they live. Special efforts are needed to engage Indigenous Peoples in the planning and implementation of development programs that affect them, in particular development programs that are supposedly designed to meet their specific needs and aspirations that affect their land and territories.

4. Development projects may, however, also create opportunities for **Indigenous Peoples** to improve their quality of life and well-being. Projects can create opportunities for Indigenous Peoples to participate in and benefit from project-related activities that may help them fulfill their aspiration for economic and social development. Indigenous Peoples may play a role in sustainable development by promoting and managing activities as partners in development.

II. OBJECTIVES

- a. Ensure that **Indigenous Peoples** do not suffer adverse impacts as a result of projects or, where avoidance is not possible, minimize, mitigate, and/or compensate for such impacts.
- b. Design and implement projects in a way that fosters full respect for **Indigenous Peoples'** identity, dignity, human rights, **livelihood** systems, and cultural uniqueness as defined by the Indigenous Peoples themselves.
- c. Promote sustainable development benefits and opportunities for **Indigenous Peoples** so that Indigenous Peoples receive **culturally appropriate** social and economic benefits and can participate actively in projects that affect them.
- d. Establish and maintain an ongoing **meaningful consultation** process with affected **Indigenous Peoples'** communities to improve project design and implementation and to promote Indigenous Peoples' participation and support for the project.
- e. Obtain free, prior, and informed consent (FPIC) in the three circumstances described in ESS7.
- f. Recognize, respect, and preserve the culture, knowledge, and practices of Indigenous Peoples where possible in a project context, and provide opportunities to adapt to changing conditions in a manner and in a time frame acceptable to them.

III. SCOPE OF APPLICATION

5. The applicability of ESS7 is established during the environmental and social (E&S) assessment process described in ESS1. The scope and scale of **meaningful consultation**, impact assessment, subsequent project planning, documentation processes, and monitoring will be proportionate to the scope and scale of potential project risks and impacts as they may affect **Indigenous Peoples**. The requirements of ESS7 also apply to actions conducted by a borrower/client in anticipation of or in preparation for the project.

6. ESS7 will apply whenever **Indigenous Peoples** are present in, or have **collective attachment** to, a proposed project-affected area as determined during the E&S assessment process under ESS1. ESS7 applies regardless of whether Indigenous Peoples are affected positively or negatively, directly or indirectly, and regardless of the significance of any such impacts. ESS7 also applies irrespective of the presence or absence of discernible economic, political, or social vulnerabilities, although the nature and extent of vulnerabilities will be a key variable in designing plans to promote equitable access to benefits or to mitigate adverse impacts.

7. For ESS7, the term **Indigenous Peoples** refers to a distinct social and cultural group possessing the following characteristics in varying degrees:

- (i) self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others; and
- (ii) **collective attachment** to geographically distinct areas or ancestral territories or areas of seasonal use or occupation, including nomadic and transhumance routes in a project-affected area and to the natural resources in these areas and territories; and
- (iii) customary cultural, economic, social, or political institutions, laws, or regulations that are separate from those of the mainstream society and culture; and
- (iv) a distinct language or dialect, often different from the official language of the country or region.

8. ESS7 also applies to a group that meets the requirements under para. 7 and that during the lifetime of members of the group has been assimilated, mainstreamed, or lost **collective attachment** to distinct areas or ancestral territories in a project-affected area because of **forced severance**, conflict, government resettlement programs, dispossession of their land, disasters, or incorporation of such territories into an urban area. In such cases, some characteristics defined in

para. 7 may have eroded or be less evident for some groups or communities through integration into the broader society or economy. ESS7 applies to forest dwellers, hunter-gatherers and pastoralists and other nomadic groups, subject to satisfaction of criteria in para. 7 of ESS.

9. Following a determination by ADB based on para 7, whether Indigenous Peoples groups are present in or have a **collective attachment** to a proposed project-affected area, the borrower/client will agree with ADB on the application of ESS7. This process also takes into account the customary laws of the project-affected Indigenous Peoples, the **host country's applicable laws**, and the **host country's** obligations under **international instruments** related to Indigenous Peoples. ADB may require engaging qualified specialists, including specialist from the Indigenous Peoples groups if appropriate, where determination of the characteristics in para. 7 requires assistance from such specialists.

IV. REQUIREMENTS

10. The borrower/client will ensure that Indigenous Peoples present in, or with collective attachment to the project area are meaningfully consulted and have opportunities to participate in the project design and the determination of the project implementation arrangements.

A. Impact Assessment for Indigenous Peoples

11. At an early stage of the E&S assessment process described in ESS1, the borrower/client will conduct the project impact assessment on **Indigenous Peoples**. The borrower/client, in a gender-responsive manner and in **meaningful consultation** with Indigenous Peoples' communities, and with their effective participation will identify project-affected Indigenous Peoples and the potential risks and impacts of a proposed project on them.

12. The borrower/client will use the impact assessment to document and create a baseline socioeconomic profile of the Indigenous Peoples' communities in a project-affected area. This will assess the existing economic, political, social, and historical vulnerabilities among the project-affected Indigenous Peoples' communities with reference to the wider society. The borrower/client will also assess the Indigenous Peoples' access to and opportunities to avail themselves of basic social and economic services.

13. A project's potential social, cultural, economic, and environmental risks and impacts will be assessed against the requirements set out in ESS7 and the **host country's applicable laws**, including the international instruments to which the host country is a signatory. To facilitate compliance with both ESS7 and the host country's applicable laws, the borrower/client will undertake a policy gap analysis comparing the host country's applicable laws relevant for Indigenous Peoples with the requirements of ESS7 and any gaps identified will be addressed by the borrower/client.

14. The assessment will include short- and long-term, direct and indirect, and positive and adverse impacts of a project on each community's social, cultural, and economic status; and subsequent approaches and resource requirements for addressing their concerns regarding a project that affects them. The assessment will include risks and impacts to tangible and intangible **cultural heritage** as set out in ESS8; risks to and impacts on **biodiversity** and the **ecosystem services** of importance to the identified Indigenous Peoples, as set out in ESS6; and risks and impacts on lands and natural resources including land use restrictions and impacts on residential structures and livelihood identified under ESS5.

15. The borrower/client will retain qualified and experienced experts to carry out a comprehensive, field-based assessment of potential risks to and impacts on **Indigenous Peoples**.

16. The borrower/client will ensure that the level of detail and comprehensiveness of the assessment of potentially project-affected **Indigenous Peoples** will be proportionate to the nature and scale of a proposed project's potential effects on Indigenous Peoples, whether positive or negative.

B. Meaningful Consultation and Information Disclosure

17. The borrower/client will undertake **meaningful consultation** in accordance with ESS10, with project-affected **Indigenous Peoples** on (i) designing, implementing, and monitoring measures to avoid adverse impacts on them or, where avoidance is not possible, to minimize, mitigate, and/or compensate for such impacts; and (ii) tailoring project benefits that accrue to them in a **culturally appropriate** manner. This includes meaningful consultation with affected Indigenous Peoples on the climate risk assessment as described in ESS9. The borrower/client will also undertake meaningful consultation where a project is intended to have only positive impacts to ensure that the impacts are indeed seen as positive by the project-affected Indigenous Peoples' communities, and they accrue such benefits in a culturally appropriate manner.

18. The borrower/client will establish a context-specific strategy for inclusive and participatory consultation, including approaches for identifying appropriate Indigenous Peoples' representatives, and consultation methods appropriate to the social and cultural values of project-affected Indigenous Peoples' communities. The consultation process will provide sufficient time for Indigenous Peoples' collective decision-making processes and will pay particular attention to the concerns of indigenous women, youth, people with disabilities, and other **Indigenous Peoples** who may be **disadvantaged or vulnerable**. The borrower/client will assess the willingness and capacity of the Indigenous Peoples' communities to participate in consultation activities and where required, build such capacities prior to the commencement of **meaningful consultation**.

19. The borrower/client will provide relevant information from Indigenous Peoples plan (IPP), Indigenous Peoples planning framework (IPPF), and/or due diligence report (DDR) including project design, its benefits for and adverse impacts on the Indigenous Peoples, in a timely manner, in an accessible place, and in a form and language(s) understandable to project-affected **Indigenous Peoples**. If the project-affected Indigenous Peoples have literacy barriers, the borrower/client will meaningfully consult with them to identify and use other appropriate communication methods. The borrower/client will submit all assessment and management documents such as the IPP, IPPF, or DDR to ADB for disclosure.

20. The borrower/client will document the consultation process and reflect its results in an IPP or other form of documentation, as appropriate. For purposes of ESS7, other forms of documentation will include an IPPF, or other **E&S assessment and management documents** described in ESS1.

C. Indigenous Peoples Planning

21. The borrower/client will engage qualified and experienced experts to prepare an IPP or other form of documentation, as appropriate based on an impact assessment as described in paras. 11–16. The borrower/client, in consultation and in agreement with ADB, may propose an alternative title to IPP based on the national context. The borrower/client will ensure that such an IPP reflects the results of the **meaningful consultation** with project-affected **Indigenous Peoples'** communities. The level of detail and comprehensiveness of an IPP will vary depending on the specific project and the nature of risks and impacts to be addressed. In an IPP, the borrower/client will set out measures to ensure that (i) potential adverse impacts on Indigenous Peoples are avoided to the maximum extent possible and (ii) project-affected Indigenous Peoples receive **culturally appropriate** social and economic benefits and meaningfully participate in project preparation and implementation processes. Where avoidance is not possible, based on meaningful consultation with project-affected Indigenous Peoples' communities, the borrower/client will, in an IPP, outline measures to minimize, mitigate, and/or compensate for the adverse impacts. The borrower/client will integrate the elements of an IPP into a project's design. An indicative outline of an IPP is provided in Annex 1 of ESS7.

22. The borrower/client will prepare an IPPF for projects or project subcomponents which have not completed the final detailed design of project facilities and where the nature and magnitude of project risks to and impacts on **Indigenous Peoples'** communities is still uncertain during project preparation. Such an IPPF will establish a project's general principles, approach, and procedures for the assessment and mitigation of all potential risks to and impacts on Indigenous Peoples and for the preparation of a future IPP. An IPPF will clearly outline the procedures for the conduct of FPIC and specific requirements as set out in ESS7. An indicative outline of an IPPF is provided in Annex 2 of ESS7.

23. When a project will potentially affect remote groups of **Indigenous Peoples** with limited external contact, also known as peoples in voluntary isolation, isolated peoples, or peoples in initial contact, the borrower/client will take appropriate measures to recognize, respect, and protect their land and territories, environment, health, and culture, and to avoid undesired contact with them as a consequence of a project. The borrower/client will not process further the aspects of a project that would result in such undesired contact.

24. The borrower/client and project-affected **Indigenous Peoples** will jointly identify mitigation measures in alignment with the **mitigation hierarchy** described in ESS1 as well as opportunities for **culturally appropriate** and sustainable development benefits from a project. The scope of mitigation measures will include physical, social, cultural (including consideration of intangible cultural heritage), and environmental impacts. The borrower/client will ensure the timely delivery of agreed measures to project-affected Indigenous Peoples.

25. Factors such as the nature of a project, the project context, and the vulnerability of project-affected **Indigenous Peoples** will affect how they will benefit from a project. The borrower/client will identify opportunities that address the goals and preferences of the project-affected Indigenous Peoples, including improving their standard of living and **livelihoods** in a **culturally appropriate** manner.

26. In determining, delivering, and distributing compensation and sharing benefits to project-affected **Indigenous Peoples**, the borrower/client will take into account of the institutions, rules, and customs of affected Indigenous Peoples as well as their level of interaction with the mainstream society. Eligibility for compensation may be collective or individual or a combination of both and will be determined based on impact assessment and in consultation and in agreement with affected Indigenous Peoples' households and communities. Where compensation is on a collective basis, the borrower/client will, as far as practicable, define and implement mechanisms that promote the effective distribution of compensation to all eligible members of an Indigenous Peoples' community, or collective use of compensation in a manner that benefits all members of the community. Compensation for lost assets including customary land-related losses or losses resulting from involuntary land use restriction will be paid in accordance with the provisions under ESS5.

27. When **Indigenous Peoples** are the sole or the overwhelming majority of direct beneficiaries of a project, and when only positive impacts are identified, the borrower/client may include the elements of an IPP in the overall project design in lieu of preparing a separate IPP. In such cases, the borrower/client will proactively engage with the project-affected Indigenous Peoples to ensure their participation in the project design, implementation, and monitoring and evaluation. The borrower/client will meaningfully consult with them on the cultural appropriateness of proposed services or activities and will seek to identify and address any economic or social constraint that may limit opportunities to benefit from or participate in a project. The borrower/client will include in project documents a summary of how a project complies with ESS7. Project documents will explain how the borrower/client has complied with the requirements for **meaningful consultation** or obtaining FPIC from affected Indigenous Peoples, if required, and how the borrower/client has integrated the accrual of benefits in a **culturally appropriate** way into a project's design.

28. When **Indigenous Peoples** are not the sole or the overwhelming majority of beneficiaries of a project, planning requirements will vary according to the nature and scale of a project's potential risks and adverse or positive impacts. In such a project, the borrower/client will pay particular attention to Indigenous Peoples and will design and implement a project in a manner that provides project-affected Indigenous Peoples' communities with equitable access to project benefits. The concerns or preferences of project-affected Indigenous Peoples will be addressed through **meaningful consultation** and project design. The borrower/client will prepare a time-bound IPP setting out measures or actions proposed. Such an IPP will summarize the consultation outcomes and describe how Indigenous Peoples' issues have been addressed in the project design. The borrower/client will also describe in a project's **stakeholder** engagement plan the arrangements for ongoing **meaningful consultation** with and continued participation of project-affected Indigenous Peoples during project implementation. In some circumstances and with due justification, the borrower/client will prepare a broader community development plan addressing all beneficiaries of a project and incorporating necessary information on how the plan meets the requirements of ESS7 relating to project-affected Indigenous Peoples' communities.

29. The borrower/client will update the IPP following the completion of any detailed engineering design and detailed measurement surveys, as necessary. As part of the update, the borrower/client may adjust mitigation measures to avoid adverse impacts on **Indigenous Peoples** and any measures to enhance **culturally appropriate** development benefits, but the agreed outcomes as specified in the draft IPP will not be lessened or minimized. If new or additional groups of Indigenous Peoples are identified prior to submission of the final IPP to ADB and are determined to be affected by a project, the borrower/client will undertake **meaningful consultation** with them or obtain their FPIC if required and update the IPP.

30. In cases where project activities or operations have already commenced, the borrower/client will provide all relevant information and documents to demonstrate that it has sought and acted upon the opinions of project-affected **Indigenous Peoples**. If, in such cases, the requirements of ESS7 have not been satisfied, the borrower/client will carry out an impact assessment as specified in paras. 11–16. In such an assessment, the borrower/client will also: (i) review the effects to date on the lives and **livelihoods** of project-affected Indigenous Peoples; (ii) identify any gaps with the requirements of ESS7; and (iii) identify the corrective actions that may be required to achieve the intended outcomes of ESS7. The borrower/client will then agree to a time bound action plan with ADB. Where such existing activities were not undertaken in anticipation of a project, the requirements of ESS1 on existing facilities and activities will apply.

31. During project implementation, the borrower/client will undertake the necessary actions so that agreed benefits or improvements to services are delivered in accordance with the IPP. The borrower/client will ensure that human and financial resources are provided to implement and monitor the actions and measures required in the IPP in a timely manner.

32. If there are significant changes to a project that result in additional risks to and impacts on **Indigenous Peoples**, the borrower/client will meaningfully consult with the project-affected Indigenous Peoples' communities on how to mitigate these risks and impacts and will update the IPP, and the environmental and social commitment plan (ESCP)/ environmental and social action plan (ESAP) accordingly, setting out any additional mitigation measures described in ESS1.

D. Grievance Mechanism

33. The borrower/client will establish a grievance mechanism as early as possible and in accordance with the requirements of ESS10 to receive and facilitate the resolution of the concerns and grievances of project-affected **Indigenous Peoples**. The borrower/client will address concerns and complaints using a transparent process that is **culturally appropriate**, and without threat of **reprisal**. The borrower/client will ensure that the grievance mechanism also takes into account the availability of customary dispute settlement mechanisms and customary laws of affected Indigenous Peoples' communities, as appropriate, and provides Indigenous Peoples culturally appropriate options for submitting their grievances including interpretation or translation to overcome language barriers and/or limitations.

34. The borrower/client will encourage and support the engagement of external indigenous experts as part of the grievance mechanism.

E. Unanticipated Impacts

35. If unanticipated impacts on **Indigenous Peoples**, such as a change in a project's footprint, become apparent during project implementation, the borrower/client will carry out an impact assessment as set out in paras. 11–16 and in a timely and effective manner will update the IPP and/or formulate a new IPP and/or IPPF, including conduct of **meaningful consultation** or obtaining FPIC, if required under para. 36.

F. Circumstances Requiring Free, Prior and Informed Consent

36. **Indigenous Peoples** may be particularly vulnerable to the loss of, alienation from, or exploitation of their **land** and access to **natural** and cultural **resources**. Recognizing this vulnerability, in addition to the general requirements on **meaningful consultation** in paras. 17–20 and those described in ESS10, the borrower/client will obtain FPIC of project-affected Indigenous Peoples when a project will:

- (i) have adverse impacts on lands and natural resources subject to traditional ownership or under customary use or occupation;
- (ii) cause relocation of Indigenous Peoples' communities from lands and natural resources subject to traditional ownership or under customary use or occupation; or
- (iii) have significant impacts on Indigenous Peoples' **cultural heritage** that is material to their identity and culture, and/or to ceremonial and/or spiritual aspects of their lives.

37. There is no universally accepted definition of FPIC. For the purpose of ESS7, FPIC is established through paras. 38–40.

38. FPIC applies from a project's concept design phase to the end of the implementation phase of a **project cycle**. FPIC builds on and expands the process of **meaningful consultation** described in ESS10 and paras. 17–20 of ESS7 and will be established through good faith negotiation between the borrower/client and project-affected **Indigenous Peoples**' communities. The borrower/client will engage independent specialists, including Indigenous Peoples' organizations where possible, to assist in identifying of a project's risks and impacts and in conducting and documenting the FPIC process.

39. FPIC does not require unanimity and may be achieved even when individuals or groups within or among project-affected **Indigenous Peoples**' communities explicitly disagree. For the purpose of ESS7, consent refers to the collective support of project-affected Indigenous Peoples' communities for project activities that affect them, reached through a **culturally appropriate** process. FPIC may exist even if some individuals or groups object to such project activities.

40. The borrower/client will document: (i) the mutually accepted process to carry out good faith negotiations that has been agreed by the borrower/client and the **Indigenous Peoples** who are potentially project-affected; and (ii) the outcome of the good faith negotiations between the borrower/client and Indigenous Peoples, including all agreements and consent reached as well as dissenting views. The borrower/client will submit the documentation of the FPIC process, as part of an IPP, to ADB for review. The borrower/client will ensure that such an IPP describes the agreements and consent reached between the borrower/client and potentially project-affected Indigenous Peoples and includes the actions necessary to implement those agreements. During implementation, the borrower/client will ensure that necessary actions are taken and agreed benefits or improvements to services are delivered in a timely manner to maintain Indigenous Peoples' support for the project.

41. FPIC is required to be ascertained by the time of project appraisal or final credit approval. When FPIC of potentially project-affected **Indigenous Peoples** cannot be ascertained, the aspects of a project relevant to those affected Indigenous Peoples for which FPIC cannot be ascertained will not be processed further. Where ADB has made the decision to continue processing a project other than the aspects for which FPIC of project-affected Indigenous Peoples cannot be ascertained, the borrower/client will ensure that no adverse impacts result on such Indigenous Peoples during the implementation of the project.

G. Impacts on Lands and Natural Resources Subject to Traditional Ownership or Under Customary Use

42. **Indigenous Peoples** are closely connected with land, forests, water, wildlife, and other natural resources, and therefore special considerations apply if a project affects such ties. In this situation, when carrying out the assessment for Indigenous Peoples and preparing an IPP or IPPF, as appropriate, the borrower/client will pay particular attention to the following:

- (i) the customary rights of the Indigenous Peoples, both individual and collective, pertaining to ancestral domains, lands, or territories that they traditionally own or customarily use or occupy, and where access to natural resources is vital to the sustainability of their cultures and **livelihood** systems;
- (ii) the need to protect such ancestral domains, lands, and resources against illegal intrusion or encroachment;
- (iii) the cultural and spiritual values that the Indigenous Peoples attribute to such lands and resources;
- (iv) the Indigenous Peoples' natural resources management practices and the long-term sustainability of such practices; and
- (v) the need to rehabilitate the **livelihood** systems and sociocultural practices of Indigenous Peoples who would be evicted from their lands.

43. **Indigenous Peoples'** land is often traditionally owned or under their customary use or occupation. While some Indigenous Peoples may not possess legal title to land as defined by the **host country's applicable laws**, their use of the land, including seasonal or cyclical use, for their **livelihoods**, or for cultural, ceremonial, and spiritual purposes that define their identity and community, can often be substantiated and documented. Where a project involves (i) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied, or (ii) the acquisition of such lands or land use restriction of such lands, the borrower/client will prepare a plan for the legal recognition of such ownership, occupation, or usage, with due respect to the customs, traditions, and land tenure systems of Indigenous Peoples. Legal recognition may take the form of (i) full legal recognition of Indigenous Peoples' existing customary land tenure systems; or (ii) conversion of customary use to communal and/or individual ownership rights. Conversion of customary usage rights to individual ownership rights will be considered only after undertaking consultation with the Indigenous Peoples concerned and an assessment of the impacts of such conversion on the communities and their livelihoods. If neither form of legal recognition is possible under the **host country's applicable laws**, the borrower/client will ensure that the plan includes measures for the legal recognition of Indigenous Peoples' perpetual or long-term renewable custodial or use rights.

44. If the borrower/client proposes to locate a project or commercially develop natural resources on land traditionally owned by or under the customary use or occupation of **Indigenous Peoples**, the borrower/client will obtain their FPIC and take the following steps:

- (i) document efforts to avoid and otherwise minimize the area of land proposed for a project;
- (ii) document efforts to avoid and otherwise minimize impacts on natural resources subject to traditional ownership or customary use or occupation;
- (iii) identify and review all property interests, tenurial arrangements, and traditional resource usage prior to purchasing, leasing or, as a last resort, undertaking land acquisition and imposing land use restriction;
- (iv) assess and document the potentially project-affected Indigenous Peoples' resource uses without prejudicing any Indigenous Peoples' land claim. The borrower/client will ensure that the assessment of land and **natural resource** use will be gender-responsive and specifically consider women's role in the management and use of these resources; and
- (v) ensure that project-affected Indigenous Peoples' communities are informed of their land rights under the **host country's applicable laws**, including those laws recognizing customary use rights, the scope and nature of a project, and the potential impacts of a project.

45. Where the project promotes commercial development of **Indigenous Peoples'** land or natural resources, the borrower/client will afford due process, and offer compensation together with **culturally appropriate** sustainable development opportunities to project-affected Indigenous Peoples, at least equivalent to that to which any landowner with full legal title to the land would be entitled, including the following:

- (i) providing fair lease arrangements or, where **land acquisition and land use restriction** is necessary, providing land-based compensation or compensation in kind in lieu of cash compensation where possible. If circumstances prevent the borrower/client from offering suitable replacement land, the borrower/client must provide verification that such is the case. Under such circumstances, the borrower/client will provide non-land-based income-earning opportunities over and above cash compensation to Indigenous Peoples' communities;
- (ii) ensuring continued access to natural resources, identifying the equivalent replacement resources or, as a last option, providing compensation and identifying alternative livelihoods if project development results in the loss of access to and the loss of natural resources independent of project land acquisition and land use restriction;
- (iii) enabling Indigenous Peoples to share equitably in the benefits to be derived from the commercial development of the land or natural resources where the borrower/client intends to utilize land or natural resources that are central to the identity and livelihood of project-affected Indigenous Peoples and their use exacerbates livelihood risks; and
- (iv) providing project-affected Indigenous Peoples access to, use of, and transit on land the borrower/client is developing subject to overriding health, safety, and security considerations.

H. Relocation of Indigenous Peoples' Communities

46. The borrower/client will explore to the maximum extent possible alternative project designs to avoid relocation of **Indigenous Peoples'** communities from land that is communally held or occupied or land to which Indigenous Peoples have **collective attachment** and natural resources that are subject to traditional ownership or customary use or occupation. If such relocation is unavoidable, the borrower/client will not proceed with a project unless FPIC has been obtained as described above. The borrower/client will not resort to **forced eviction**, and any relocation of Indigenous Peoples will meet the requirements of ESS5. Where possible, the borrower/client will ensure that relocated Indigenous Peoples' communities will be able to return to their traditional or customary land, should the cause of their relocation cease to exist.

I. Cultural Heritage

47. Where a project may significantly impact **cultural heritage**, both tangible and intangible, that is material to the identity and/or cultural, ceremonial, or spiritual aspects of the lives of project-affected **Indigenous Peoples**, priority will be given to the avoidance of such impacts. Where significant project impacts are unavoidable, the borrower/client will obtain FPIC of project-affected Indigenous Peoples. Cultural heritage is defined in ESS8 and includes natural areas with cultural and/or spiritual value such as sacred groves, sacred bodies of water and waterways, sacred mountains, sacred trees, sacred rocks, and burial grounds and sites.

48. Where a borrower/client proposes to use the **cultural heritage** of **Indigenous Peoples'** communities for commercial purposes, the borrower/client will inform the project-affected Indigenous Peoples' communities of (i) their rights under the **host country's applicable laws**, (ii) the scope and nature of the proposed commercial development, and (iii) the potential consequences of such development; and obtain their FPIC as described above. The borrower/client will also enable Indigenous Peoples' communities to share equitably in the benefits to be derived from commercial development of such cultural heritage, consistent with the customs and traditions of Indigenous Peoples.

J. Private Sector Responsibilities Where Government Is Responsible for Managing Indigenous Peoples Issues

49. Where the government has a defined role in the management of **Indigenous Peoples** issues in relation to a project, the client will collaborate with the responsible government agency, to the extent feasible and permitted by the agency, to achieve outcomes that are consistent with the objectives of ESS7. In addition, where government capacity is limited, the client will play an active role during the planning, implementation, and monitoring of activities to the extent permitted by the agency. The client will prepare a plan that together with the documents prepared by the responsible government agency will address the relevant requirements of ESS7. The client may need to include (i) the plan, implementation, and documentation of the process of informed consultation, participation, and engagement and FPIC, where relevant; (ii) a description of the government-provided entitlements of affected Indigenous Peoples; (iii) the measures proposed to bridge any gaps between such entitlements, and the requirements of ESS7; and (iv) the financial and implementation responsibilities of the government agency and/or the client.

K. Indigenous Peoples and Development

50. ADB's developing member countries and borrowers/clients may ask ADB to support them in their development planning and poverty reduction strategies by providing financial assistance for initiatives, such as the following:

- (i) strengthen local legislation to establish legal recognition of the customary or traditional land tenure systems of **Indigenous Peoples**;
- (ii) enhance participation by Indigenous Peoples in the development process by incorporating their perspectives into the design of development programs and poverty reduction strategies and providing them with opportunities to benefit more fully from development programs through policy and legal reforms, capacity building, and **meaningful consultation**, participation, and empowerment;
- (iii) support the development priorities of Indigenous Peoples through programs developed by governments in cooperation with Indigenous Peoples;
- (iv) address the gender and intergenerational issues that exist among many Indigenous Peoples, including the special needs of indigenous women, youth, and children;
- (v) prepare participatory profiles of Indigenous Peoples to document their culture, demographic structure, gender and intergenerational relations, and social organization, institutions, production systems, religious beliefs, and resource use patterns;
- (vi) strengthen the capacity of Indigenous Peoples' communities and Indigenous Peoples' organizations to prepare, implement, monitor, and evaluate development programs;
- (vii) strengthen the capacity of government agencies responsible for providing development services to Indigenous Peoples;
- (viii) preserve and respect indigenous knowledge, including strengthening intellectual property rights; and
- (ix) facilitate partnerships among the government, Indigenous Peoples' organizations, **civil society organizations**, and the private sector to promote Indigenous Peoples' development programs.

V. MONITORING, EVALUATION AND REPORTING

51. The borrower/client will monitor, measure, and assess the progress of implementation of the IPP and/or IPPF and evaluate whether the IPP's and/or IPPF's objectives and desired outcomes have been achieved. The scope of monitoring activities will be proportionate to a project's risks and impacts. In addition to recording information to track performance, the borrower/client will use appropriate methods such as field inspections and stakeholder engagement with affected

Indigenous Peoples' communities, including women and **disadvantaged or vulnerable** persons within such communities, to gather their views and responses regarding the implementation of mitigative measures as well as regarding the cultural appropriateness of implementation of beneficial measures.

52. The borrower/client will prepare and submit to ADB monitoring reports on the progress of IPP and/or IPPF implementation, highlighting compliance issues and corrective actions, if any. The frequency of such monitoring reports will be determined by the complexity and risks associated with a project's impacts. The borrower/client will submit at least a semiannual internal progress monitoring report, commencing from the start of the implementation phase of a project cycle until its completion. For a project with potentially significant adverse impacts on **Indigenous Peoples**, the borrower/client will retain qualified, credible, and experienced external experts or qualified **civil society organizations** including Indigenous Peoples organizations to verify monitoring information. In cases where ADB directly engages third-party experts to monitor the IPP implementation process and outcomes, the borrower/client will provide full support to such monitors and will share all relevant information and will facilitate access to related project areas for such monitors.

53. If any noncompliance or unanticipated impacts are found during monitoring, the borrower/client will prepare a corrective action plan and promptly implement it. The borrower/client will also provide human and financial resources for monitoring and implementing an IPP and/or IPPF. Monitoring reports will be disclosed to affected **Indigenous Peoples'** communities. All monitoring reports will also be publicly disclosed on the ADB website.



Zeng weaving of A Luoi Town,
Sustainable Tourism Development
Project, Viet Nam.

ANNEX 1: INDICATIVE OUTLINE OF INDIGENOUS PEOPLES PLAN

1. This outline of an **Indigenous Peoples** plan (IPP) is for the requirements of ESS7 for projects with risks to and impacts on Indigenous Peoples. The level of detail and comprehensiveness of an IPP would be proportionate to the significance of potential impacts on Indigenous Peoples. The substantive aspects of this outline will guide the preparation of IPPs, although not necessarily in the order shown. A borrower/client, in lieu of an IPP, could use an alternate title based on the national nomenclature for Indigenous Peoples of a **host country** in consultation and in agreement with ADB.

A. Executive Summary

This section presents a concise summary of an IPP describing critical facts, significant findings, and recommended actions.

B. Description of the Project

This section provides a general description of the project; discusses project components and activities that may bring risks to and impacts on **Indigenous Peoples**; and identifies the project-affected area. Maps of the project area indicating Indigenous Peoples' presence, if available, should be included.

C. Project Impact Assessment for Indigenous Peoples

This section provides a comprehensive characterization of the **Indigenous Peoples'** communities and details of impact assessments undertaken for a project or project subcomponents impacting Indigenous Peoples. It will clearly outline the quantitative and qualitative methodological tools used for such impact assessments and will demonstrate how they used participatory tools to enhance Indigenous Peoples' participation in the conduct of impact assessments. This section:

- (i) identifies all affected Indigenous Peoples' communities within the project-affected area, who will be affected directly or indirectly by the project.
- (ii) provides baseline information on the demographic, social, cultural, and political characteristics of affected Indigenous Peoples' communities; the land and territories that they have traditionally owned or customarily used or occupied; land tenure systems and customary uses of land; the natural resources on which they depend; community and governance structures, including decision making mechanisms; a description of worldview of Indigenous Peoples' community, way of life, and gender and intergenerational relationships, including inheritance and property rights; identification of any vulnerable peoples or groups within affected Indigenous Peoples' communities; religious orientation such as animism, naturism, and ancestor worship; and identification of cultural aspects, both tangible and intangible, of affected Indigenous Peoples' communities and project impacts on these aspects.
- (iii) reviews the **host country's** legal and institutional framework including commitments to **international instruments** applicable to Indigenous Peoples, identifies gaps with respect to the requirements under ESS 7 and provides gap-filling measures.
- (iv) includes a gender-responsive assessment of affected Indigenous Peoples' perceptions about the project and its impact on their social, economic, and cultural status.
- (v) identifies and recommends, based on **meaningful consultation** with affected Indigenous Peoples' communities, the measures necessary to avoid adverse effects or, if such measures are not possible, identifies measures to minimize, mitigate, and/or compensate for such effects and to ensure that the Indigenous Peoples receive **culturally appropriate** benefits under the project.

D. Information Disclosure, Consultation and Participation

This section:

- (i) identifies key project **stakeholders** and elaborates a **culturally appropriate** and vulnerability and gender-responsive process for **meaningful consultation** with **Indigenous Peoples** at each stage of project preparation and implementation.
- (ii) assesses, based on meaningful consultation with affected Indigenous Peoples' communities and utilizing participatory assessment tools, potential adverse and positive effects of the project. Critical to the determination of potential adverse impacts is a gender-responsive analysis of the relative vulnerability of, and risks to, affected Indigenous Peoples' communities given their particular circumstances and close ties to lands and **natural resources**, as well as their lack of access to opportunities relative to those available to other social groups in the communities, regions, or national societies in which they live.
- (iii) describes the information disclosure, consultation and participation process with affected Indigenous Peoples' communities that was carried out during project preparation. Establishes that the consultation process is undertaken in a culturally appropriate manner and has followed Indigenous Peoples' communities' own specific requirements and ensured that all potential barriers to the consultation process were addressed.
- (iv) summarizes Indigenous Peoples' communities' responses and comments on the results of the impact assessment and identifies concerns raised during consultations and how these have been addressed in the project design.
- (v) in the case of project activities requiring FPIC, documents the processes and outcomes of consultations with affected Indigenous Peoples' communities and any agreement resulting from such consultations for the project activities and measures addressing the risks and impacts of such activities. Provides ADB's own assessment and verification that FPIC for the project has been established.
- (vi) describes consultation and participation mechanisms to be used during implementation to ensure Indigenous Peoples' participation during implementation.
- (vii) confirms the disclosure of the draft and final IPP to affected Indigenous Peoples' communities.

E. Beneficial Measures

This section provides a description of **culturally appropriate** beneficial measures for the **Indigenous Peoples'** communities to ensure that they are equal project beneficiaries. It will demonstrate the participatory methods used for developing beneficial measures in a culturally appropriate and gender-responsive manner.

F. Mitigative Measures

This section specifies the measures to avoid adverse impacts on **Indigenous Peoples**; and where avoidance is not possible, specifies the measures to minimize, mitigate, and compensate for identified unavoidable adverse impacts for each affected Indigenous Peoples' community. Risks of particular importance include those related to Indigenous Peoples' physical and cultural survival, territorial integrity, social organization and customary laws, and economy. Project risks should include **climate change** scenarios, when appropriate.

G. Capacity Building

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

H. Grievance Mechanism

This section describes the procedures to redress grievances by affected **Indigenous Peoples**' communities. It establishes clear timelines and processes to redress grievances. It explains how the procedures are accessible to Indigenous Peoples in a **culturally appropriate** and gender-responsive manner and where feasible ensures inclusion of Indigenous Peoples' communities' own customary dispute settlement mechanisms. The mechanism clearly demonstrates the way it will deal with any acts of **reprisal** against the complainants.

I. Monitoring, Reporting and Evaluation

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

J. Institutional Arrangement

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

K. Budget and Financing

This section provides an itemized budget for all activities described in the IPP and a borrower/client's commitment to provide the required budget in a timely manner.

ANNEX 2: INDICATIVE OUTLINE OF INDIGENOUS PEOPLES FRAMEWORK

1. An Indigenous Peoples planning framework (IPPF) sets out the requirements of ESS7 to be applied to a project or project subcomponents that are not yet defined and will be assessed and prepared after the loan approval or during project implementation. The key objectives of an IPPF are to outline the procedures for screening, impact assessment, participation, consultation and information disclosure, and development of mitigative and beneficial measures and other requirements under an IPP once the project components, subprojects, and/or activities have been fully defined and assessment can be undertaken.
2. The IPPF is a tool that supports the preparation of an IPP once a project or subproject is fully defined and IPP preparation processes can commence. An IPPF does not substitute an IPP, and it is critical that any project activities that have risks to and impacts on Indigenous Peoples will not commence until an IPP is developed with the meaningful participation of affected Indigenous Peoples, and FPIC where required, and appropriate mitigation measures are in place.
3. An IPPF will contain the following:

A. Executive Summary

This section presents a concise summary of the key processes that will be required for preparation of an IPP.

B. Introduction

This section briefly describes the project and its subprojects and/or components or activities likely to be proposed for financing and explains why an IPP for the whole project or some subprojects cannot be prepared before project appraisal.

C. Objectives and Policy Framework

This section: (i) clarifies the principles and objectives governing the preparation and implementation of an IPP and demonstrates how they are consistent with ESS7 requirements; (ii) compares the **host country's applicable laws** and ESS7, identifies the gaps, if any, and describes measures to fill the gaps; and (iii) describes the criteria for screening and selecting components, projects, and/or subprojects.

D. Identification of Affected Indigenous Peoples

This section: (i) describes how the ESS7 criteria for identifying groups that are considered **Indigenous Peoples** will be applied in the project; (ii) provides details related to the demographic, sociocultural, economic, political, way of life, religious and spiritual aspects of Indigenous Peoples most likely to be affected by the project or subprojects, and how such information will be collected; and (iii) delineates the potential positive and adverse effects of the project or subprojects on Indigenous Peoples.

E. Impact Assessment and IPP for Subprojects and/or Components

This section sets out procedures for carrying out an impact assessment for the project, subprojects, or components that will be assessed once these are defined following the engineering design and the establishment of the project-affected area. It outlines quantitative and qualitative impact assessment methods including relevant participatory methods for an impact assessment that demonstrate the active engagement of affected Indigenous Peoples' communities in the impact assessment process.

F. Consultation and Participation

This section outlines the mechanisms and the strategy that will be adopted for the conduct of **meaningful consultation** with affected **Indigenous Peoples** at each stage of subproject preparation and implementation. It provides guidelines on ensuring cultural appropriateness of the consultative process; provides for a gender-responsive consultative process and inclusion of vulnerable groups within the Indigenous Peoples' communities, and provides measures to deal with participation barriers such as language. For project activities requiring FPIC, this section outlines the mechanisms and procedures for documentation of the consultation process that establishes FPIC from affected Indigenous Peoples' communities.

G. Information Disclosure

The section outlines disclosure arrangements, such as the information to be disseminated and the method and form of dissemination, to both affected **Indigenous Peoples** and the public.

H. Grievance Mechanism

This section discusses processes to establish **culturally appropriate** and gender-responsive grievance redress mechanisms for affected **Indigenous Peoples**.

I. Institutional and Implementation Arrangements

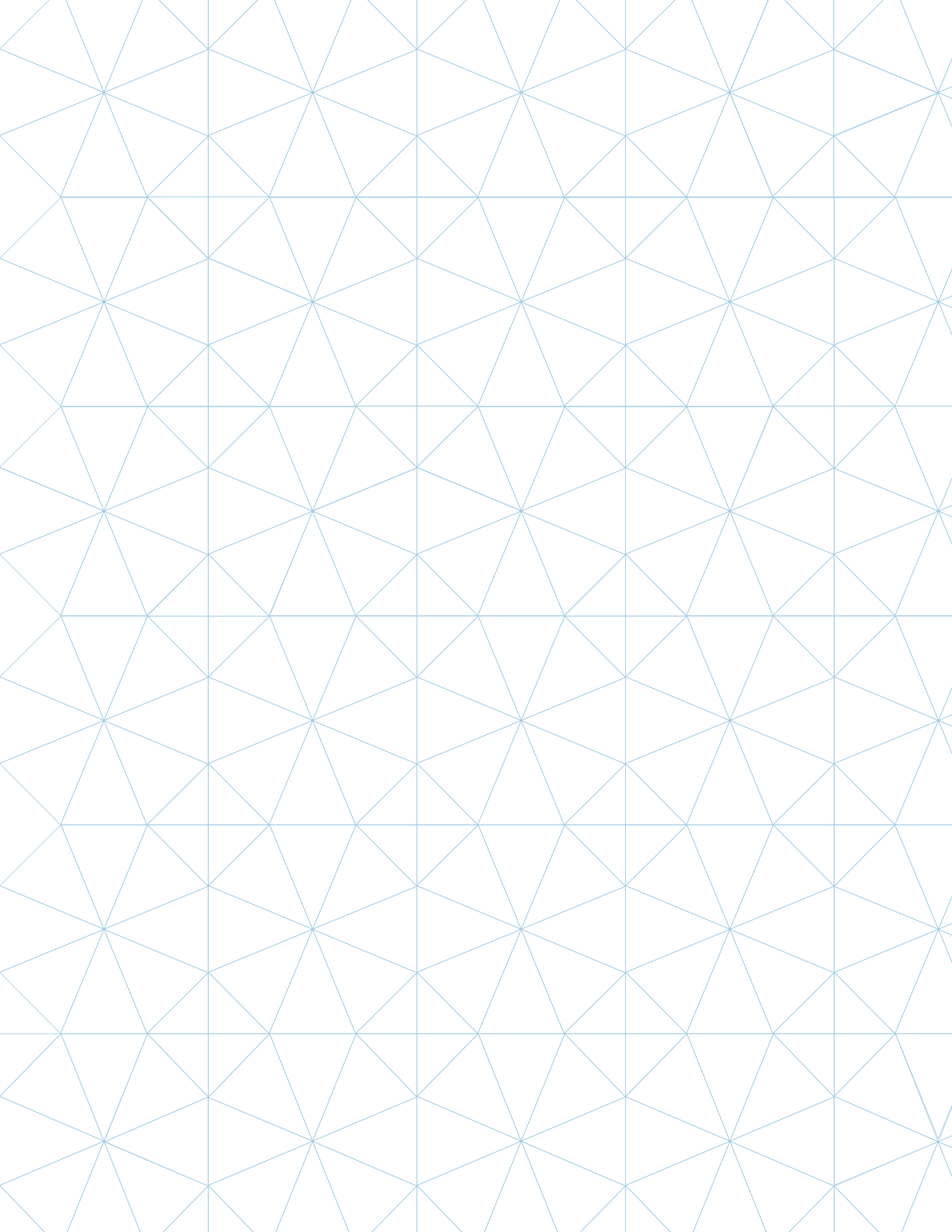
This section describes institutional arrangements, including capacity building where necessary for screening and categorization, social impact assessment and preparation of IPPs, and monitoring.

J. Monitoring and Reporting Arrangements

This section identifies the steps taken to establish mechanisms and benchmarks appropriate for monitoring and reporting. It explains the way monitoring indicators will be formulated following an impact assessment and a baseline will be established for monitoring and reporting.

K. Budget and Financing

This section provides an indicative budget, and identifies funding sources and responsibilities for allocating, approving, and delivering funds, including contingency arrangements.





Public square, Kathmandu, Nepal.

Cultural Heritage



ESS8

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 8 recognizes that **cultural heritage**, in its tangible and intangible forms, is a valuable and irreplaceable community connection between past, present, and future.
2. Tangible and intangible **cultural heritage** are important assets for economic and social development, a source of valuable scientific and historical information, and an integral part of people's cultural identity and practice. ESS8 recognizes that language survival, as well as traditional education, can be critical for the preservation of cultural heritage and traditional identities.
3. ESS8 seeks to protect **cultural heritage** and to encourage its broader use as an enabler of sustainable development.

II. OBJECTIVES

- a. Protect **cultural heritage** from adverse impacts of project activities, and support its conservation using appropriate expertise.
- b. Address cultural heritage protection as an integral aspect of sustainable development.
- c. Apply the **mitigation hierarchy** to anticipate and avoid risks and impacts on cultural heritage.
- d. Promote **meaningful consultation** with local experts and other **stakeholders** regarding cultural heritage.
- e. Promote the equitable sharing of benefits from project use of cultural heritage.

III. SCOPE OF APPLICATION

4. The applicability of ESS8 is established during the environmental and social (E&S) assessment process described in ESS1. The term **cultural heritage** encompasses tangible and intangible cultural elements or **artifacts**, which may be recognized and valued at a local, regional, national, or global level and that merit conservation or protection, as follows:
 - (i) **Tangible cultural heritage** includes movable or immovable artifacts, **cultural heritage sites**, built heritage, and natural features and landscapes that have archaeological, paleontological, scientific, historical, architectural, religious, or other cultural significance. Tangible cultural heritage may be found in urban or rural **settings** and may be above or below ground or underwater and may or may not be previously known or studied. Human remains, whether part of an archaeological or landscape feature, graveyard, simple isolated gravesite, or only a physical memorial of human life, constitute tangible cultural heritage.

- (ii) **Intangible cultural heritage** includes practices, representations, expressions, knowledge, skills, rituals, and language, as well as the associated instruments, objects, and **artifacts**, which communities and groups recognize as part of their cultural heritage, and is transmitted from generation to generation, and which may be constantly recreated by those groups and communities as part of their interaction with nature and their history, and with other human groups.

5. The requirements of ESS8 apply to intangible **cultural heritage** only if project activities will have an impact on such cultural heritage, or if a project intends to use intangible cultural heritage, such as traditional knowledge, innovations, crops, or practices, for commercial or noncommercial purposes. The extent of application of ESS8 to pure intangible culture, such as language and ritual, will be determined through the impact assessment process and will be agreed between the **project-affected persons** and the borrower/client. ESS8 is not intended to prevent modernization or cultural assimilation, which are rightfully subject to individual and community choice.

6. The requirements of ESS8 will apply to all projects likely to have risks for or impacts on **cultural heritage**. This will include any project that:

- (i) involves excavations, demolition, earth moving, flooding, inundation, or other changes in the physical environment;
- (ii) is located within a legally protected heritage area or its buffer zone;
- (iii) is located within, or in the vicinity of, a recognized **cultural heritage site**, whether legally protected or not; and/or
- (iv) is specifically designed to support the conservation, management, or other use of cultural heritage, including commercial use.

7. Inherently minor cultural remains, as determined by appropriate **cultural heritage** expertise, and in **meaningful consultation** with **project-affected persons**, do not constitute cultural heritage.

IV. GENERAL REQUIREMENTS

A. Assessment of Impacts on Cultural Heritage

8. The borrower/client will site and design a project to avoid damage to **cultural heritage**. At an early stage of the E&S assessment process described in ESS1, the borrower/client will use **good international practice (GIP)**, including a **precautionary approach** to be directed by appropriate experts, to identify the likelihood of adverse project impacts on cultural heritage, the level of significance of each instance of cultural heritage, and the risks associated with its damage or loss.

9. During the assessment process, the borrower/client will consider direct and cumulative project-specific risks and impacts on **cultural heritage**. The borrower/client will also identify and mitigate **indirect impacts** that may include visual effects, noise, vibration, and other changes to the **setting** or surrounding landscape and environmental conditions. The assessment process and mitigation measures will consider future risks to cultural heritage from **climate change**. The borrower/client will ensure that the assessment identifies and considers the significance of each instance of cultural heritage to its primary users, those entrusted with its protection, and **project-affected persons**. Where expert advice or **stakeholder** feedback through **meaningful consultation** indicates the likelihood of an instance of cultural heritage, the borrower/client will conduct desk-based research and field surveys to investigate, document, and map such resources. Based on the results of these investigations, expert assessment of the significance of cultural heritage, requirements of national legislation, applicable **international instruments**, and results of meaningful consultations with stakeholders, the borrower/client may be required to conduct additional studies. Engaging **cultural heritage** experts during other stages of the **project cycle** may also be required to assist in the identification and evaluation of potentially significant cultural heritage. The assessment of cultural heritage will be proportionate to the nature and scale of the risks and impacts associated with a project.

10. The borrower/client will assess **cultural heritage** using a methodology that includes local and community-determined values, established levels of legal protection, and the value of the cultural heritage as a resource for future study. The assessment will document the location and characteristics of **cultural heritage sites** and materials discovered or identified during the concept design, preparation, and implementation phases of a **project cycle** in consultation with the relevant international, national, or subnational cultural heritage authorities. The borrower/client will coordinate with such authorities to either take custody or determine the ownership or custodial responsibility of materials and records in relation to **cultural heritage** discovered, identified, or studied in accordance with the **host country's applicable laws**.
11. As a part of the E&S assessment process, the borrower/client will carry out **meaningful consultation** with **stakeholders**, in accordance with ESS10, to: (i) identify **cultural heritage** that may be affected by a project; (ii) consider the level of significance of the cultural heritage affected by a project; (iii) assess the potential risks and impacts to that cultural heritage; and (iv) explore avoidance, mitigation, monitoring and reporting options. The borrower/client will provide information to stakeholders on scope, location, and duration of project activities that could cause risks to and/or impacts on cultural heritage. Using mapped locations of heritage sites, the borrower/client will ensure that the project design process avoids or minimizes risks to and impacts on discovered or identified sites and materials that remain in place.
12. Where a project may have unavoidable significant adverse impacts on **cultural heritage**, that is material to the identity and/or cultural, ceremonial, or spiritual aspects of **Indigenous Peoples**, the borrower/client will obtain free, prior, and informed consent (FPIC) in accordance with ESS7.
13. For protected **cultural heritage**, the borrower/client will follow applicable protection measures specified in management documents associated with such cultural heritage. Where such management plans are absent, the borrower/client will consult those entrusted to protect the cultural heritage and may apply measures recommended through **meaningful consultation**. For a cultural heritage assessment based on community values, the level of significance will be determined, and corresponding protection measures will be adopted, in **meaningful consultation** with the community.
14. In addition to assessing and mitigating the **direct** physical **impacts** on **cultural heritage**, the assessment should consider the impacts on the **setting** and the effects of such changes on user experience.
15. If there are significant changes to a project, or discoveries or analyses that indicate additional risks, changing significance levels, or impacts on **cultural heritage**, particularly where these will impact **project-affected persons**, the borrower/client will meaningfully consult with relevant **stakeholders** and appropriate cultural heritage experts on how to mitigate these risks and impacts and determine if any additional mitigation measures or project changes would be required.

B. Mitigation of Unavoidable Impacts

16. The **mitigation hierarchy** requires the avoidance of adverse impacts wherever possible. Where such avoidance is not possible, the borrower/client will identify and implement measures to address impacts on **cultural heritage** in accordance with the mitigation hierarchy described in ESS1. Compensation for adverse impacts will only be considered as a last resort.
17. The borrower/client will not remove any **cultural heritage** unless the following conditions are met:
- (i) no alternatives to removal are available.
 - (ii) the overall benefits of a project substantially outweigh the significance of the cultural heritage to be lost.
 - (iii) any removal or excavation is conducted after **meaningful consultation** and in accordance with the **host country's applicable laws**, including those laws implementing the **host country** obligations under **international instruments**, **protected area** management plans, and **GIP**.

18. The borrower/client will adopt **GIP** for desk-based research and field-based assessment, documentation, and protection of **cultural heritage** throughout the concept design, preparation, and implementation phases of a **project cycle**. The borrower/client will ensure that contractors, subcontractors, and other third parties engaged in a project adhere to applicable GIP, including the requirement to use appropriate experts for any cultural heritage efforts undertaken by the project.

19. To address adverse impacts, the borrower/client will, in consultation with ADB, develop a cultural heritage management plan (CHMP). Such a CHMP will include an implementation timeline and an estimate of resource needs for the anticipated management measures. The borrower/client will ensure that the CHMP is developed using appropriate experts. The borrower/client will implement the CHMP and ensure that contractors, subcontractors, and other third parties engaged in a project comply with the requirements set out in the CHMP.

C. Confidentiality

20. The borrower/client, in consultation with ADB, appropriate experts, and **project-affected persons**, will determine whether disclosure of information regarding **cultural heritage** could compromise or jeopardize the safety or integrity of the cultural heritage either through unwanted public visiting, the risk of looting, or clandestine excavation, or whether the simple fact or the manner of its disclosure might violate a community's traditional intellectual property rights. If **project-affected persons** hold the location, characteristics, or traditional or indigenous use of the cultural heritage as confidential or otherwise sensitive, the borrower/client will put in place measures to maintain such confidentiality and, in consultation with ADB and **project-affected persons**, omit the sensitive information from public disclosure.

D. User Access to Cultural Heritage

21. Where a project may temporarily or permanently prevent user access to or use of **cultural heritage sites**, including for activities such as pilgrimages, festivals, religious events, or personal contemplative visits, the borrower/client will, based on **meaningful consultation** with **project-affected persons**, provide continued access to the **cultural heritage sites**, or will provide an alternative means of access, subject to overriding health, safety, and security considerations. The borrower/client will recognize that user access may be seasonal, intermittent, or undertaken by only a subset of the local population and therefore may not be evident without targeted **meaningful consultation**. Access to cultural sites will also include museums, libraries, and other repositories of movable cultural heritage.

E. Chance Find and Unanticipated Cultural Issues

22. The borrower/client will ensure that a procedure is in place for managing **chance finds** or any unanticipated discovery or recognition of **cultural heritage** during project implementation. Such a procedure will include notification to relevant communities and legal authorities and the identification, documentation, assessment, and management of such chance finds in accordance with the **host country's applicable laws** and other requirements of ESS8.

23. The borrower/client will integrate a **chance finds** procedure in all relevant works contracts, procurement documents, the CHMP, and/or other relevant **E&S assessment and management document**, so that contractors, subcontractors, and third parties engaged in a project will fully comply with this requirement.

24. The borrower/client will not use the **chance finds** procedure as a substitute for assessment and management of **cultural heritage** impacts as part of the E&S assessment process described in ESS1 and ESS8.

F. Legal Protection Status

25. As part of the E&S assessment process, the borrower/client will determine the presence of all recognized, designated, and protected **cultural heritage**, or cultural heritage that is proposed for recognition, designation, or protection. If a project will be located within any such recognized, designated, and **protected area** or related buffer zone, the borrower/client will:

- (i) comply with the **host country's applicable laws** related to cultural heritage, and applicable international, national, and subnational cultural heritage requirements, and any existing or proposed management plans for such areas. The applicability of regional or international cultural heritage requirements to a project will be determined through the E&S assessment process described in ESS1.
- (ii) consult with **stakeholders**, including the managers of such areas in accordance with ESS10.
- (iii) implement measures for cultural heritage conservation in accordance with the measures set out in the area's management plan. This may include additional programs, as appropriate, to promote and enhance the area's cultural heritage objectives.

V. SPECIAL REQUIREMENTS FOR DIFFERENT TYPES OF CULTURAL HERITAGE

A. Archaeological Sites and Material

26. Archaeological sites comprise any combination of structural remains, **artifacts**, human remains, and paleontological or ecological features and may be located partially or entirely beneath the ground or underwater. Human remains, including human fossil remains, are also considered archaeological material.

27. The borrower/client will determine, in **meaningful consultation** with **cultural heritage** experts and **project-affected persons** whether archaeological sites and material discovered during the concept design, preparation, or implementation phases of a **project cycle** require: (i) avoidance; (ii) excavation, study, and documentation to standards indicated by the **host country's applicable laws** and/or applicable **GIP**; or (iii) targeted and GIP-guided measures to compensate for unavoidable damage. The borrower/client will determine ownership and custodial responsibility for archaeological sites and material in accordance with the host country's applicable laws and, until such time as custody has been transferred, will arrange for identification, labeling, secure storage, conservation, and accessibility to enable future conservation, study and public appreciation.

B. Underwater Cultural Heritage

28. Underwater **cultural heritage** includes (i) shipwrecks and associated materials; (ii) former terrestrial cultural heritage now inundated by water, including lakes, rivers, or oceans; and (iii) modern conflict-related sunken ships or downed aircraft, which may also contain human remains.

29. If the borrower/client identifies actual or potential underwater **cultural heritage**, typically accomplished through expert review of remote sensing data, the identified resources or potential resources can be avoided by project design. When the E&S assessment process indicates the potential existence of underwater cultural heritage, the borrower/client will engage an appropriate expert to identify and assess the potential underwater archaeological features.

C. Burials and Human Remains

30. The borrower/client will prioritize leaving human remains and their burial sites or monuments in place.
31. In **meaningful consultation** with **project-affected persons**, including descendant individuals and communities, the borrower/client will develop temporary or permanent marking of burial sites in close consultation with descendant communities, if no clear markers are present, and, where applicable, will use protective measures preferred by **project-affected persons** to avoid and protect remains that are located on or beneath the ground.
32. In cases where it is deemed necessary to identify, remove, and relocate human remains or related monuments from their original **setting**, the borrower/client will consult with **project-affected persons**, including relevant descendant communities and individuals. Where specific conditions require it, experts such as forensic archaeologists and remote sensing experts may be engaged to establish locally appropriate identification and preservation measures. In such cases, the project will develop identification, removal, and relocation measures through **meaningful consultation** with **project-affected persons**, including relevant descendant communities and individuals.

D. Built Heritage

33. Built heritage refers to individual structures or groups of architectural works and their urban or rural **settings** that are viewed as representative of a particular historical period, a significant historic development, or a significant event. Built heritage thus includes groups of buildings, other structures, and open spaces constituting past or contemporary human settlements that are recognized as valuable from an architectural, historic, spiritual, or cultural perspective.
34. The borrower/client will determine, in **meaningful consultation** with appropriate experts and **project-affected persons**, whether built heritage will be subject to identification and documentation according to the **host country's applicable laws** or, if relevant, **GIP** and implement (i) avoidance or (ii) targeted and GIP-guided measures to compensate for unavoidable impacts.
35. During any rehabilitation or restoration of built heritage, the borrower/client will maintain the authenticity of form, construction materials, and techniques of the structures in compliance with the **host country's applicable laws**, or where there are no such requirements in accordance with **GIP** to be agreed with ADB.

E. Natural Features with Cultural Significance

36. Natural features and landscapes may possess **cultural heritage** significance including the provision of cultural **ecosystem services**. Examples of such features include hills, mountains, streams, rivers, waterfalls, caves, rocks, plants, trees, groves, forests, and other landscape features. This category may also include wild or domesticated plant or animal species. The significance of such cultural heritage may often be localized in small community groups or minority populations.
37. During the E&S assessment process described in ESS1, and throughout the **project cycle**, the borrower/client will identify, document and protect such features in **meaningful consultation** with appropriate experts and **project-affected persons**. The borrower/client will coordinate these measures with the application of ESS6 and ESS7, where relevant.

F. Movable Cultural Heritage

38. Movable **cultural heritage** includes objects such as historic or rare books and manuscripts; paintings, drawings, sculptures, figurines, and carvings; modern or historic religious items; historic costumes, jewelry and textiles; fragments of monuments or historic buildings; archaeological material; and natural history collections such as fossils, shells, flora, or minerals. These objects may reside in museums, libraries, reliquaries or religious or ceremonial facilities, or other public and private locations.

39. Increased public knowledge of and access to movable cultural heritage resulting from a project may heighten the vulnerability of such cultural objects to theft, trafficking, inappropriate commercialization, or other abuse. The borrower/client will take measures, including the creation of inventories, to guard against theft and illegal trade, or other misuse of movable cultural heritage items or their repositories affected by a project in accordance with **host country's applicable laws**, and will consult with **project-affected persons** and appropriate cultural heritage experts regarding any such measures. The use of existing or project-generated inventories is a critical tool for managing risks to movable cultural heritage.

G. Project Use of Cultural Heritage

40. Where a project proposes to use **cultural heritage** including traditional knowledge and techniques, or where a project proposes to enhance or develop a **cultural heritage site** that has long-standing association with a traditional or indigenous community, the borrower/client will:

- (i) inform **project-affected persons**, including the traditional or indigenous users of a **cultural heritage site** or the holders of intangible cultural heritage, of their rights under the **host country's applicable laws**, the scope and nature of the proposed commercial or non-commercial use or development, and the potential consequences of such use or development; and
- (ii) enter a documented good-faith negotiation process with **project-affected persons**, including the traditional or indigenous users of a **cultural heritage site** or collection, or the holders of intangible **cultural heritage**, to reach agreement on an arrangement that provides for fair and equitable sharing of benefits from the proposed use or development of such **cultural heritage**, consistent with their customs and tradition.

41. The borrower/client will not proceed with project use or development of **cultural heritage** unless **project-affected persons**, including the traditional or indigenous users of a site or the holders of the intangible **cultural heritage**, have agreed to an arrangement as described in para. 40 (ii).

VI. MONITORING AND DISCLOSURE

42. Depending on the level of risks and impacts with regard to **cultural heritage** in a project, the borrower/client will, in consultation with ADB, prepare additional studies and **E&S assessment and management documents** that are required by ESS8 and as relevant to the project and its risks and impacts. As specified in ESS1, these will support the analysis of impacts and identification of mitigation measures and will be part of or may be annexed to the E&S assessment undertaken for a project.

43. **E&S assessment and management document** required by ESS8 may include a CHMP that may be prepared and disclosed as a stand-alone plan or as part of the project environmental and social management plan in accordance with ESS1 and ESS10. The final or updated E&S assessment and management documents, if any, will be submitted to ADB for disclosure.

44. The borrower/client will monitor the implementation of the E&S assessment and management documents prepared under ESS8 in accordance with the requirements in the environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP), ESS1 and ESS10.



'dzud', Mongolia.

Climate Change



ESS9

I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 9 recognizes the urgency and importance of tackling **climate change**, which poses a global threat and reverses development gains. Effects of **greenhouse gases (GHG)** emissions, compounded by a reduction of the planet's carbon sinks, are altering the physical and biological environment and severely impacting economies, **livelihoods**, food security, health conditions, and the quality of life of communities and individuals, disproportionately affecting **disadvantaged or vulnerable** communities.
2. In recognition of the increasing vulnerability of developing member countries to **climate change** risks and impacts, there is a need for promoting **climate change mitigation, adaptation** and building climate **resilience**, in accordance with the **host country's** commitments and/or contributions under **international instruments**.

II. OBJECTIVES

- a. Minimize **absolute** and **relative GHG emissions** attributable to a project by considering alternatives, and monitor and report project-related GHG emissions, where applicable.
- b. Manage project-related climate risks and contribute to enhancing climate **resilience**.

III. SCOPE OF APPLICATION

3. The applicability of this ESS9 is established during the assessment process described in ESS1. This ESS9 sets out borrower/client requirements for assessing, managing, monitoring and reporting (i) a project's **absolute** and **relative GHG emissions** and (ii) project-related climate risks.

IV. REQUIREMENTS

4. Where a project emits **GHG**, the borrower/client will promote the reduction of such project-related GHG emissions, in a manner appropriate and proportionate to the nature and scale of the project operations and impacts.
5. Where ADB has determined through its climate screening process that a project has risk of **climate change** impacts and/or risk of increasing climate exposure or vulnerability of **project-affected persons**, the borrower/client will undertake a climate risk assessment as further described in para. 12.

6. The borrower/client will provide adequate arrangements for implementation of project-related **GHG** reduction and **climate change adaptation** and **resilience** measures, as described in paras. 8 and 13, respectively, with capacity enhancement where necessary, to ensure the allocation of human and financial resources proportionate to the scope of identified climate risks, to the satisfaction of ADB.

7. The borrower/client will undertake **meaningful consultation** with **project-affected persons**, including **disadvantaged or vulnerable** groups and communities, on project-related **GHG** reduction measures, if any, and on climate risk assessment including **climate change adaptation** and **resilience** measures, as well as any subsequent changes or updates to such measures and assessments.

A. Assessment, Monitoring, Reporting and Minimizing Project-Related GHG Emissions

8. To minimize the **absolute** and **relative GHG emissions** attributable to a project, the borrower/client will consider alternative measures including adoption of energy efficiency, lower-carbon energy sources and energy inputs, renewable energy, alternative project locations, conservation of high-carbon value resources, reduction of fugitive emissions, or other GHG management practices such as use of best-available low-carbon technologies and equipment. For purposes of this para. 8, the term “minimize” includes avoidance, reduction and removal activities that decrease GHG emissions attributable to a project. The borrower/client will, in consultation with ADB, choose and integrate such measures where **technically and financially feasible** during the concept design and project preparation phases. Where such measures are adopted for implementation during a project, the borrower/client will include them in the environmental and social commitment plan (ESCP)/environmental and social action (ESAP).

9. The borrower/client will undertake an ex-ante estimation of **absolute** and **relative GHG emissions** of a project. Except for projects with absolute and relative GHG emissions below the reporting threshold of carbon dioxide equivalent per year, which may be adjusted lower over time and as determined by ADB, the borrower/client will disclose the ex-ante estimation to the **stakeholders** and submit the same to ADB for disclosure in relevant project documents.

10. Where projects have an ex-ante estimation for **absolute GHG emissions** that is more than the reporting threshold of carbon dioxide equivalent per year, which may be adjusted lower over time and as determined by ADB, the borrower/client will monitor absolute GHG emissions annually and report the same to ADB as agreed in an ESCP/ESAP. The GHG quantification assessment will be conducted in accordance with methodologies and practices advised by ADB, considering **good international practice**.

11. If there are changes to a project that result in a significant increase in the **absolute GHG emissions**, the borrower/client will update the assessment of absolute and **relative GHG** emissions of the project. This will also be consistent with para. 7.

B. Assessment and Management of Climate Risks

12. The borrower/client will undertake a climate risk assessment to: (i) establish the climate risk context of a project; (ii) assess the direct and indirect climate risks to a project and the potential for the project to generate increased **climate change vulnerability** and/or exposure of **project-affected persons**; and (iii) identify and develop **climate change adaptation** and **resilience** measures to address identified climate risks of a project. The scope of the assessment will include, as applicable, the climate change vulnerability of **project-affected persons**, physical assets, communities, institutions, and **ecosystems** associated with all stages of a project, relevant time frames, and climate scenarios. The level of detail of the climate risk assessment is proportionate to the nature and scale of the potential risks and based on the data, information, and models available at the time of ADB's project appraisal or final credit approval.

13. The borrower/client will, in consultation with ADB, choose and integrate **climate change adaptation** and **resilience** measures where **technically and financially feasible** and proportionate to the nature and scale of a project during the concept design and project preparation phase. Where such measures are adopted for implementation during a project, the borrower/client will include them in the project ESCP/ESAP.

14. If there are significant changes to a project or climate risk context that result in additional climate risk to the project and/or **project-affected persons**, the borrower/client will update the climate risk assessment and ESCP/ESAP accordingly, setting out additional risk management measures, as necessary. This will also be consistent with para. 7.

V. MONITORING AND DISCLOSURE

15. As described in ESS1, the assessments as required under this ESS9 will support the analysis of impacts and identification of GHG reduction and climate change adaptation and resilience measures and will be part of or may be annexed to the E&S assessment undertaken for a project.

16. The assessments and GHG reduction and **climate change adaptation** and **resilience** measures to be developed under this ESS9 will be disclosed. The final or updated **E&S assessment and management documents**, if any, will also be submitted to ADB for disclosure.

17. The borrower/client will monitor the **absolute emissions** as required under para. 10 and the implementation of the GHG reduction and **climate change adaptation** and **resilience** measures prepared under this ESS9 in accordance with the requirements in the environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP) and ESS1 and ESS10.



Theppana Wind Power Project, Thailand.



ADB Funded Kings Road, Fiji.

Stakeholder Engagement and Information Disclosure



ESS10

I. INTRODUCTION

1. This Environmental and Social Standard (ESS)10 recognizes the importance of open, transparent, and safe engagement between the borrower/client and the persons affected by a project including local communities, host communities, **project workers** and worker representatives, and other project **stakeholders**. Effective stakeholder engagement and information disclosure proportionate to the nature and scale of a project can improve the environmental and social sustainability of projects, enhance project acceptance, and lead to improved social, environmental, and financial outcomes. Stakeholder engagement is consistent with the policy objectives of timely disclosure of project information, effective public participation in assessing a project's **environmental and social (E&S) risks and impacts**, and in decision-making processes, and reception and management of grievances and concerns.

2. **Stakeholder** engagement is an inclusive process initiated as early as possible and conducted throughout the **project cycle**. Stakeholder engagement sets up strong, constructive, and responsive relationships that are fundamental for the successful assessment, management, and monitoring of a project's **E&S risks and impacts** and forms an integral part of informed decision-making.

II. OBJECTIVES

- a. Establish an informed systematic approach to **stakeholder** engagement that will help the borrower/client develop and maintain a constructive and responsive relationship with its **stakeholders**.
- b. Assess levels of stakeholder interest and support for a project through **meaningful consultation**, and enable stakeholders' views to be taken into account in the project development process, and in the implementation and monitoring of E&S performance.
- c. Promote and provide the means for effective and inclusive engagement with stakeholders on issues that could potentially affect them throughout the preparation, and implementation phases of a **project cycle**.
- d. Ensure appropriate project information on **E&S risks and impacts** is disclosed to stakeholders in a timely, understandable, and accessible manner and format.
- e. Ensure the needs and concerns of **disadvantaged or vulnerable project-affected persons** are recognized and accounted for in the stakeholder engagement and information disclosure process.
- f. Provide stakeholders with safe, accessible, and inclusive means to raise questions, proposals, concerns, and grievances, without threat of **reprisal**, and ensure that the borrower/client responds and manages them effectively.

III. SCOPE OF APPLICATION

3. The applicability of this ESS10 is established during the E&S assessment process described in ESS1. The requirements of this ESS10 apply to stakeholder engagement and information disclosure related to **E&S risks and impacts** as set out in ESS1–ESS9.

IV. GENERAL REQUIREMENTS

4. The borrower/client will engage with stakeholders throughout the concept design, preparation, and implementation phases of a project cycle. The borrower/client will commence stakeholder engagement as early as possible in project cycle in a time frame that enables meaningful consultation with stakeholders on project design. Stakeholder engagement will continue throughout the preparation and implementation phases of a project cycle as set out in a stakeholder engagement plan (SEP) as described in paras. 12–15. The nature, scope, and frequency of stakeholder engagement will be proportionate to the nature and scale of a project, as well as to its potential E&S risks and impacts. Stakeholder engagement will be undertaken in a manner that is safe, accessible and inclusive for stakeholders, without threats of, or actual coercion, intimidation, manipulation, force, or any form of reprisal.

5. **Stakeholder** engagement requires (i) stakeholder identification and analysis, (ii) stakeholder engagement planning and implementation, (iii) information disclosure, (iv) **meaningful consultation**, (v) monitoring and reporting, and (vi) addressing and responding to concerns and grievances.

6. The borrower/client will maintain and disclose, as part of the E&S assessment process as described in ESS1, a documented record of **stakeholder** engagement. Such records will include a description of the stakeholders consulted, a summary of the feedback received, and a brief explanation of how the feedback was taken into account, or the reasons why it was not.

7. The term **stakeholder** refers to individuals, communities, or groups who: (i) are affected or likely to be affected by a project, referred to as **project-affected persons**; and (ii) may have an interest in a project, referred to as **other interested parties**.

8. All disclosure requirements set out in this ESS10 and other ESSs are governed by ADB's Access to Information Policy, including the exceptions to disclosure. The borrower/client will agree with ADB on the management of confidential information or personal information especially for **project-affected persons**, including the timing and content of the disclosure of such information.

V. SPECIFIC REQUIREMENTS

A. Stakeholder Engagement During Project Development Process

1. Stakeholder Identification and Analysis

9. The borrower/client will identify and document the different **stakeholders** and their characteristics, assess how they may be affected by a project, and what level of interest, support, and concerns they might have at the time of project preparation.

10. The borrower/client will undertake a **stakeholder** analysis that will provide sufficient levels of information and disaggregation to enable the borrower/client to determine the nature, scope, and methods of the engagement process that are appropriate for a project. During stakeholder identification and analysis, the borrower/client will pay particular attention

to, and prioritize **project-affected persons** with emphasis on those who are deemed **disadvantaged or vulnerable**, or who may face systemic barriers to stakeholder engagement based on discrimination or social exclusion, and who may need different or separate forms of engagement.

11. When stakeholder engagement with local individuals and communities within the project- affected area depends substantially on community representation, the borrower/client will make reasonable efforts to verify that such persons represent the views of those individuals and communities and that they are facilitating the communication process in an appropriate manner.

2. Stakeholder Engagement Plan

12. As part of the E&S assessment the borrower/client will undertake **stakeholder** engagement planning, in consultation with ADB, develop an SEP proportionate to the nature and scale of a project and to its potential **E&S risks and impacts** and project context, and implement the SEP. An SEP may be a stand-alone document or may be a part of another document prepared in accordance with ESS1. The borrower/client will disclose the SEP and will also submit it to ADB for disclosure as early as possible in project preparation but no later than ADB's project appraisal or final credit approval. If significant changes are made to the SEP, the borrower/client will disclose the updated SEP in a timely manner and will submit it to ADB for disclosure.

13. SEP will outline **stakeholder** engagement undertaken and to be undertaken, clarify roles and responsibilities, identify the necessary resources and timelines, serve as a guiding document for stakeholder engagement and adaptive management, and specify the phases of a **project cycle** where stakeholder engagement will be needed. The borrower/client will ensure that the SEP includes an analysis of requirements of **host country's applicable laws** and institutional arrangements, the stakeholder analysis and identification and describes the stakeholder consultation and participation mechanisms for different types of stakeholders at different phases of a project cycle to address **E&S risks and impacts** . The SEP will describe the type of information sought from **project-affected persons** and **other interested parties**, and how outputs from **meaningful consultation** and participation will be documented. The SEP will also describe planned information disclosure measures, including the type of information to be disclosed, the method of dissemination, and how continuing stakeholder participation will be facilitated during project implementation. It will include provision for additional stakeholder engagement in the event of any unanticipated E&S risks and impacts.

14. SEP will reflect how concerns and recommendations will be addressed in project design and mitigation measures. The borrower/client will ensure that the SEP takes into account the interests of the relevant **stakeholders**, summarizing the comments, needs, and concerns received from **project-affected persons** and **other interested parties**, with particular attention to the views of **disadvantaged or vulnerable** persons and groups, women, and different age groups, and describing how they will be addressed. The SEP will also describe data privacy procedures, including how sensitive and confidential information collected through ESSs will be managed and protected.

15. Where specific subprojects or components of a project to be financed by ADB are not yet identified, or where specific locations or alignments of major infrastructure or project facilities are uncertain at the time of ADB's project appraisal or final credit approval, the borrower/client may develop a stakeholder engagement framework which will establish (i) the general principles, (ii) a strategy to identify stakeholders, and (iii) a strategy for meaningful engagement in accordance with this ESS10. Once the information becomes available, and before the borrower/client can proceed with such subprojects or components, an SEP will be developed in accordance with the stakeholder engagement framework and ESS10.

3. Information Disclosure

16. The borrower/client will provide **stakeholders** with access to the following information as early as possible in a **project cycle** and in a time frame that enables **meaningful consultation** with stakeholders on the project:

- (i) the purpose, nature, and scale of a project;
- (ii) the expected duration of proposed project activities;
- (iii) an analysis of project alternatives, potential **E&S risks and impacts** on communities within the project-affected area, and the proposals for avoiding, minimizing, or mitigating E&S risks and impacts, including the differentiated measures taken for **disadvantaged or vulnerable** groups;
- (iv) the proposed stakeholder engagement process highlighting the different ways in which stakeholders can participate and have their views considered in the process;
- (v) the time and venue of any proposed public consultation meetings, and the process by which meetings will be notified, summarized, and reported; and
- (vi) the process and means by which concerns and grievances can be raised and will be addressed.

17. The borrower/client will disclose the information set out in para. 16 and any other relevant information to **project-affected persons** in a manner and form that is understandable, accessible, and **culturally appropriate**, considering any specific needs of groups that may be differentially or disproportionately affected by a project or groups of the population with specific information needs such as due to ethnicity, disability, literacy, gender, age, mobility, differences in language, or accessibility. The borrower/client will disclose E&S assessment and management documents as well as relevant information from monitoring reports in a timely manner in accessible place and in a form and language(s) understandable to project-affected persons.

18. For *High Risk*, *Substantial Risk*, and *Moderate Risk* projects, as early as possible in project preparation and prior to ADB's project appraisal or final credit approval, the borrower/client will submit to ADB for disclosure a draft, or final if available, **E&S assessment and management documents** and ESCP/ESAP prepared by the borrower/client in accordance with ESS1. For *High Risk* projects, the borrower/client will submit to ADB for disclosure a draft, or final if available, environmental and social impact assessment as early as possible in project preparation, and in any event at least 120 days before ADB's Board of Directors consideration of the proposed project for sovereign operations and at least 60 days before ADB's Board of Directors consideration of the proposed project for nonsovereign operations.

19. Where ADB and the borrower/client agree that certain **E&S assessment and management documents** will be prepared by the borrower/client post-ADB approval of a project, as reflected in an ESCP/ESAP, the disclosure timing will follow the timeline as set out in the ESCP/ESAP. The borrower/client will ensure that E&S assessment and management documents address, in an adequate manner, the key **E&S risks and impacts** of a project and provide sufficient detail to inform further stakeholder engagement and ADB decision making. The final or updated E&S assessment and management documents, if any, will also be submitted to ADB for disclosure.

20. The borrower/client will submit to ADB for disclosure E&S performance monitoring reports prepared under the relevant ESSs for a project, as required by ESS1. If there are changes to a project that result in additional **E&S risks and impacts**, particularly where these will impact **project-affected persons**, the borrower/client will provide information on such risks and impacts and undertake **meaningful consultation** with project-affected persons.

4. Meaningful Consultation

21. The borrower/client will undertake a process of **meaningful consultation** in order to provide **project-affected persons** and **other interested parties** with the opportunity to express their views on project risks, impacts, and mitigation measures, and to allow the borrower/client to consider and respond. The extent and degree of engagement required by the

meaningful consultation process will be proportionate to the nature and scale of the potential **E&S risks and impacts** of a project and with the concerns raised by project-affected persons and other interested parties.

22. **Meaningful consultation** is a two-way process, that
- (i) begins early in the project planning process to gather initial views on a project proposal and inform project design;
 - (ii) is conducted in a transparent and accessible manner;
 - (iii) encourages **stakeholder** feedback, particularly as a way of informing project design, identification and mitigation of **E&S risks and impacts**, and other project implementation issues;
 - (iv) is undertaken in an atmosphere free of external manipulation, discrimination, coercion, intimidation, and threat of **reprisal**, safe, and appropriately designed to address these concerns;
 - (v) is continuous throughout the concept design, preparation, and implementation phases of a **project cycle**, as E&S risks and impacts arise and project benefits are recognized;
 - (vi) is based on early disclosure and dissemination of information in a form, language, and manner that is culturally appropriate, gender-responsive, understandable, and readily accessible to project-affected persons;
 - (vii) supports active and inclusive engagement with project-affected persons and is tailored to different stakeholder needs;
 - (viii) may involve separate discussions for different project-affected persons, considering the local languages of project-affected persons and educational differences as well as potential social bias; and
 - (ix) considers and responds to feedback from stakeholders.

23. The borrower/client will inform **project-affected persons**, in a timely manner of the final decision on a project, associated E&S mitigation measures, and the reasons and considerations on which the decision is based.

24. Where the borrower/client has conducted consultations and information disclosure in connection with a project's **E&S risks and impacts** prior to ADB's involvement in a project, the borrower/client will conduct an E&S audit to determine whether such consultations and information disclosure meet the requirements of this ESS10. Based on the findings of the E&S audit, the borrower/client may be required to undertake additional consultation and information disclosure.

B. Stakeholder Engagement During Project Implementation, Monitoring, and Reporting

25. The borrower/client will continue to meaningfully consult with, and provide relevant information to, **project-affected persons** and **other interested parties** during project implementation in the same manner as required by this ESS10 for project preparation. Additional information disclosure and/or **meaningful consultation** may be needed at key phases in a **project cycle** and/or on any specific issues that the disclosure and consultation process or grievance mechanism has identified as of concern to the **stakeholders**.

26. The borrower/client will continue to conduct, monitor, and report **stakeholder** engagement in accordance with an SEP, as a means of providing necessary information for ongoing decision-making and will build on the channels of communication and engagement already established with stakeholders.

27. Depending on the potential significance of **E&S risks and impacts**, the borrower/client may be required to retain qualified experts, to monitor and report on the progress of **stakeholder** engagement and on the implementation of the SEP and provide recommendations to the borrower/client to resolve identified risks and concerns, as part of the external monitoring described in ESS1. The borrower/client will submit the findings and recommendations of such external monitoring to ADB for disclosure.

C. Grievance Management

28. The borrower/client will respond to and manage concerns and grievances of **project-affected persons** concerning a project's E&S performance in a timely manner. For this purpose, the borrower/client will establish at the earliest opportunity and implement a grievance mechanism to receive and facilitate resolution of concerns and grievances. Where a grievance mechanism is prescribed under other ESSs, the mechanism provided under this ESS10 may be utilized. However, for grievances involving **project workers**, the borrower/client will establish a separate grievance mechanism under ESS2. This worker's grievance mechanism will not impede project worker's access to grievance mechanism under ESS10.

29. The grievance mechanism will respond to concerns and grievances promptly, effectively, and in a manner that is transparent, discreet, objective, and **culturally appropriate**, and will be readily accessible to all project-affected persons. The grievance mechanism will

- (i) be tailored to the project context and findings of the E&S assessment process;
- (ii) be proportionate to the nature and scale of potential **E&S risks and impacts** of a project;
- (iii) be accessible, inclusive and gender responsive;
- (iv) be accessible at no cost to the complainant;
- (v) allow for anonymous complaints to be raised and addressed;
- (vi) utilize existing formal or informal grievance mechanisms, including the use of customary, community, and traditional dispute resolution and settlement methods, to the extent preferred and acceptable to **project-affected persons** and where feasible and suitable for a project;
- (vii) enable full and fair access by additional means for **disadvantaged or vulnerable** persons; and
- (viii) not preclude access to national or local judicial or administrative remedies, or mediation.

30. The borrower/client will inform **stakeholders** about the grievance process in the course of its engagement activities.

31. The grievance mechanism will be implemented without external manipulation, discrimination, coercion, intimidation, and threat of **reprisal**. The borrower/client will review and address allegations of reprisal, abuse, intimidation, or discrimination, and take appropriate measures.

32. The borrower/client will regularly monitor implementation of the grievance mechanism and correct any insufficiencies and/or update it when needed. An updated grievance mechanism will be timely communicated to the stakeholders. The borrower/client will maintain an up-to-date record of grievances and resolution timetables, which will also be included in monitoring reports. The borrower/client will redact any confidential information before making records of grievances and resolution timetables available.

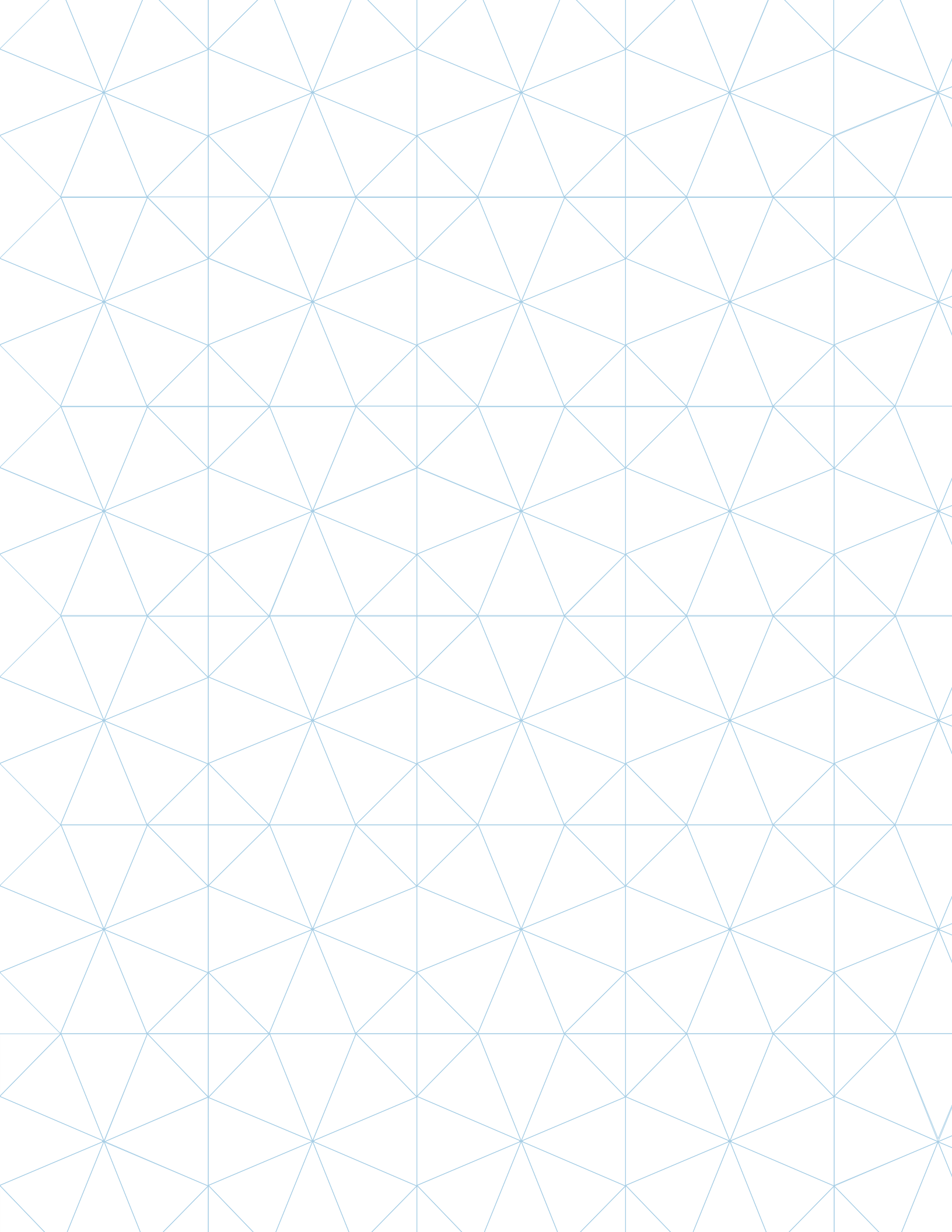
33. The borrower/client will include information about ADB's Accountability Mechanism as part of its information disclosure and **meaningful consultation** with **project-affected persons** and other relevant **stakeholders**.

D. Organizational Capacity

34. For implementation of **stakeholder** engagement activities as set out in an SEP, including the grievance mechanism and monitoring, in compliance with this ESS10, the borrower/client will

- (i) ensure sufficient financial and qualified human resources proportionate to the anticipated **E&S risks and impacts** of a project are available; and
- (ii) designate specific personnel to be responsible for stakeholder engagement and clearly define their roles and authority.

35. The borrower/client may engage community liaisons and/or local points of contact to help facilitate **stakeholder** engagement and grievance management, if appropriate.



PART IV

**Environmental and Social Requirements
for Financing Modalities and Products**





Mainstreaming Electric Vehicles to Reduce Greenhouse Gas Emissions Project, Ha Noi, Viet Nam

Environmental and Social Requirements for Financing Modalities and Products

I. INTRODUCTION

1. ADB offers various financing modalities and products to promote inclusive growth and development in its developing member countries. These include grants, loans, debt securities, guarantees, risk participations, and equity investments.¹ The Requirements for Financing Modalities and Products (Financing Modalities Requirements or Part IV), recognize that **environmental and social (E&S) risks and impacts** as well as the approach to the assessment and management of such risks and impacts will differ depending on the ADB financing offers and the intended use of proceeds.

II. SCOPE OF APPLICATION

2. The Financing Modalities Requirements explain how E&S requirements stemming from ADB's Environmental and Social Framework (ESF), including ADB's Environmental and Social Policy (E&S Policy) and Environmental and Social Standards (ESSs) apply to the different financing modalities and products offered by ADB. ADB and the borrower/client will apply the relevant requirements of the E&S Policy and the ESSs, respectively, to the financing modalities and products, except to the extent such requirements are modified or explained in Part.

3. For financing modalities and products that are developed by ADB post-approval of the ESF, the application of the requirements of the E&S Policy and the ESSs will be guided by paras. 5-10 of Part IV, as appropriate.

4. All disclosure requirements set out in Part IV are subject to ADB's Access to Information Policy, including the exceptions to disclosure.

5. ADB may finance investments where, at the time of approval by ADB, **E&S risks and impacts** cannot be fully identified or assessed. This may be because (i) not all subprojects or activities to be financed are identified, (ii) their details are not yet available, or (iii) due to urgency of the financing needs, the assessment process cannot be completed as in the case of an emergency response. In such cases, ADB will undertake risk classification in accordance with para. 25 of the E&S Policy, and ADB and the borrower/client will agree on the principles for the assessment and management of E&S risks. The borrower/client will, as appropriate, prepare an environmental and social management framework (ESMF) to guide the assessment and management of E&S risks and impacts of such subprojects or activities to meet the requirements of the relevant ESSs. Once the necessary information and details of subprojects or activities become available, ADB will require the borrower/client to follow the ESMF, and the requirements of ESS1 and the relevant ESSs to assess and manage the E&S risks and impacts. This type of financing includes sector lending, emergency assistance loans, and multitranches financing facilities.

¹ Financing modalities and products include project lending, sector lending, emergency assistance loan, multitranches financing facility, policy-based lending, results-based lending, project readiness financing, small expenditure financing facility, technical assistance, financial intermediaries, and corporate finance. The terms "lending" and "loan(s)" as used in this document also refer to "grants" as relevant. More information on these modalities and products can be found on the ADB website (adb.org), and the respective policies and/or Operations Manual sections for each instrument.

6. Where ADB provides financing to a borrower based on the completion of specified policy actions in sovereign operations, ADB will undertake risk classification in accordance with para. 25 of the E&S Policy based on the likely **E&S risks and impacts** resulting from the policy actions supported by ADB financing, factoring in contextual or sector specific risks. ADB will require the borrower to identify and assess the potential direct and indirect E&S risks and impacts associated with the policy actions, and identify and integrate mitigation measures into the design of the final policy actions to achieve the objectives of the relevant ESSs. This type of financing includes policy-based lending. The E&S approach described in this paragraph is also relevant where ADB provides consulting services support through a technical assistance or sector financing, with an output that is intended to directly support the host country's policy reforms or development expenditure programs that are likely to have E&S risks and impacts.

7. Where ADB provides financing to a borrower/client for pilot testing and/or small works and equipment to support a project, ADB will undertake risk classification of such activity in accordance with para. 25 of the E&S Policy and require the borrower/client to assess and incorporate the E&S considerations into the design of such financing, consistent with the requirements of the relevant ESSs. This type of financing includes project readiness financing, small expenditure financing facility, and technical assistance.

8. Where ADB provides financing to a borrower for achieving certain outputs or results using the E&S system for the program in sovereign operations, ADB will assess the adequacy of the system to achieve the objectives of the ESSs applicable to the program. ADB will undertake risk classification in accordance with para. 25 of the E&S Policy based on the likely E&S risks and impacts of the program supported by ADB financing, factoring in risks associated with the borrower's implementation capacity and other contextual risks. ADB will require the borrower to achieve the objectives of the ESSs applicable to the program. Under such financing, all activities assessed to be classified as *High Risk* are not eligible for financing. This type of financing includes results-based lending.

9. Where ADB financing is provided directly or through sovereign borrowers (or through another entity) to a **financial intermediary (FI)**, ADB will determine the adequacy of the FI's environmental and social management system (ESMS) to assess and manage the **E&S risks and impacts** associated with the intended use of ADB financing. This type of financing includes loans, debt securities, equity investments, credit lines, and guarantees to FIs.

10. Where ADB financing is provided to a corporate finance client (CF Client), ADB will determine the adequacy of such client's ESMS, and capacity to assess and manage the **E&S risks and impacts** associated with the intended use of the ADB financing. This type of financing includes corporate finance, including debt, equity, and guarantees.

A. Sector Lending

ADB Responsibilities

11. ADB will undertake risk classification in accordance with the requirements of the E&S Policy prior to the approval of a sector loan based on the scope of the sector loan and the highest risk classification among the sample subprojects identified by ADB.

12. ADB will review and disclose the **E&S assessment and management documents** for subprojects under the sector loan. ADB will disclose monitoring reports submitted by the borrower. ADB will also review and disclose a strategic environmental and social assessment, if any, undertaken by the borrower in line with para. 15.

13. Where a sector loan directly supports the **host country's** policy reforms or development expenditure programs that are likely to have **E&S risks and impacts**, the responsibilities that apply to policy-based lending set out in paras. 31–32 will also apply.

Borrower Requirements

14. The borrower will undertake an E&S assessment of the sample subprojects in accordance with ESS1 proportionate to the nature and scale of the **E&S risks and impacts**. For these subprojects, the borrower will prepare **E&S assessment and management documents**, in accordance with the relevant ESSs.
15. If any significant strategic, geographic, and/or sector-wide E&S risks related to the scope and nature of a sector loan are identified by the borrower or ADB, the borrower will undertake further assessment, such as a strategic environmental and social assessment, to inform the design of the sector loan and associated E&S management.
16. The borrower will develop an Environmental and Social Management Framework (ESMF), following indicative requirements in Annex-A-4 to ESS1 to address the **E&S risks and impacts** of subprojects/components to be developed by the borrower after ADB's approval of the sector loan. The borrower will select and undertake the assessment and management of the E&S risks and impacts of the subsequent subprojects/components during project implementation in accordance with the requirements set out in the ESMF, ESS1, and other relevant ESSs.
17. The borrower will submit to ADB for review and disclosure the **E&S assessment and management documents**, as well as monitoring reports prepared in accordance with the relevant ESSs and ESMF documenting the E&S performance of every subproject under the sector loan.
18. Where the sector loan directly supports the **host country's** policy reforms or development expenditure programs likely to have E&S impacts, the requirements that apply to policy-based lending set out in paras. 33-34 will also apply.

B. Emergency Assistance Loan

ADB Responsibilities

19. ADB will undertake risk classification in accordance with the E&S Policy based on the potential **E&S risks and impacts** of the Emergency Assistance Loan (EAL).
20. Due to the immediate nature of the required assistance and the short time available to prepare an EAL, ADB may accept that an E&S assessment may be undertaken after ADB's approval of the EAL, but before project implementation.
21. ADB will review and disclose the **E&S assessment and management documents** for the project under the EAL. ADB will also disclose monitoring reports submitted by the borrower/client.

Borrower/Client Requirements

22. For EALs, the completion of the E&S assessment process and the preparation of **E&S assessment and management documents** may not be possible before ADB's EAL approval due to the nature of the **emergency**. In such cases, an ESMF will be prepared, following indicative requirements in Annex-4 to ESS1. In order to address the **E&S risks and impacts** of a project, the borrower/client will undertake the assessment and management of the E&S risks and impacts in accordance with the requirements set out in the ESMF, ESS1, and other relevant ESSs. The borrower/client will submit to ADB for review and disclosure all the E&S assessment and management documents, as well as monitoring reports prepared in accordance with the ESMF and the relevant ESSs, documenting the E&S performance of the project.

C. Multitranche Financing Facility

ADB Responsibilities

23. Where a multitranche financing facility (MFF) finances multiple projects or subprojects through different tranches, ADB will undertake risk classification in accordance with the E&S Policy for each tranche based on the E&S risks of the projects or subprojects financed under each such tranche. Projects with a risk classification of *High Risk* in a subsequent tranche will be submitted to the Board of Directors for its decision on whether to authorize the President to convert the tranche.

24. Where an MFF finances a large standalone project with each tranche financing slices of long-term contract packages, ADB will undertake risk classification in accordance with the E&S Policy based on the highest risk classification among all the tranches to be financed under such project. For each subsequent tranche, if the scope of the MFF remains unchanged, the risk classification will remain the same as the classification for the first tranche.

25. ADB will review and disclose all the **E&S assessment and management documents**, including a strategic environmental and social assessment, if any, undertaken and submitted by a borrower. ADB will also disclose monitoring reports submitted by the borrower.

Borrower Requirements

26. Where an MFF finances multiple projects or subprojects through different tranches, the borrower will undertake E&S assessment in accordance with ESS1, proportionate to the nature and scale of the **E&S risks and impacts** associated with such projects or subprojects to be financed under each tranche. For the first tranche, the borrower will prepare **E&S assessment and management documents** proportionate to the nature and scale of the identified potential E&S risks and impacts and in accordance with the relevant ESSs.

27. To address the **E&S risks and impacts** of projects or subprojects under subsequent tranches, the borrower will agree with ADB on the use of the ESMF following indicative requirements in Annex-4 to ESS1. For subsequent tranches, the borrower will undertake the assessment and management of the E&S risks and impacts related to projects or subprojects to be financed under each tranche. The borrower will undertake the E&S assessment for projects and subprojects to be financed under subsequent tranches in accordance with the requirements set out in the ESMF, ESS1 and other relevant ESSs, prior to ADB's approval of each such tranche.

28. Where an MFF finances a large standalone project that would be implemented over the duration of the MFF with each tranche financing slices of long-term contract packages, the borrower will undertake and complete all relevant E&S assessments in accordance with ESS1 to address the **E&S risks and impacts** of the project prior to ADB's approval of the MFF. For each subsequent tranche of such a standalone project, if the scope of the MFF remains unchanged, the borrower will verify whether any further E&S assessments or updates to the relevant **E&S assessment and management documents** are necessary.

29. The borrower will submit to ADB for review and disclosure the **E&S assessment and management documents**, as well as monitoring reports prepared in accordance with the relevant ESSs and ESMF, documenting the E&S performance of the tranches under the MFF.

30. If any significant strategic, geographic, and/or sector-wide E&S risks related to the scope and nature of an MFF are identified by a borrower or ADB, the borrower will undertake further assessment, such as a strategic environmental and social assessment, to inform the design of the MFF and associated E&S management.

D. Policy-Based Lending

ADB Responsibilities

31. During the preparation and prior to finalization of a policy matrix, ADB will undertake risk classification in accordance with the E&S Policy of the proposed policy actions based on the likely direct and indirect **E&S risks and impacts** resulting from the policy actions, factoring in contextual or sector-specific risks. Where a policy-based loan is classified as having E&S risks and impacts, ADB will work with the borrower to prepare an **E&S assessment and management documents** (such as a matrix) of potential E&S risks and impacts and associated mitigation measures, as part of finalizing the policy actions and the program design. ADB will disclose such E&S assessment and management document as part of the project document.

32. ADB will also disclose a strategic environmental and social assessment, if any, undertaken by the borrower in line with para. 34.

Borrower Requirements

33. The borrower will identify and assess the potential direct and indirect E&S risks and impacts associated with the policy actions. The borrower will identify and integrate mitigation measures proportionate to the **E&S risks and impacts** into the design of the final policy actions to achieve the objectives of the relevant ESSs. The borrower will work with ADB to prepare a matrix of potential E&S risks and impacts and associated mitigation measures.

34. If any significant strategic, geographic, and/or sector-wide E&S risks related to the scope and nature of a policy-based loan operation are identified by a borrower or ADB, the borrower will undertake further assessment, such as a strategic environmental and social assessment, to inform the design of the policy actions and associated E&S management. Such assessment will be submitted to ADB for review and disclosure.

E. Sector Development Program

35. A Sector Development Program (SDP) is a combination of an investment component and a policy-based loan component. In an SDP, the E&S requirements as set out in Section D (policy-based lending) apply to the policy-based loan component, while the E&S requirements for the investment component will follow the modality of the investment component.

F. Results-Based Lending

ADB Responsibilities

36. ADB will undertake risk classification in accordance with the E&S policy based on the likely **E&S risks and impacts** of the program supported by ADB financing (RBL program), factoring in risks associated with the implementation capacity of the borrower and other contextual risks.

37. ADB will require the borrower to achieve the objectives of the ESSs applicable to the RBL program.

38. The RBL program systems refer to relevant systems and the **host country's applicable laws** used to manage and mitigate the environmental and social impacts of an RBL program. The RBL program systems will enable the borrower/client to address the E&S risks and impacts of the RBL program.

39. ADB will undertake a Program Safeguard Systems Assessment (PSSA) of the RBL program systems, proportionate to the nature, scope, and the risk classification of the RBL program. The purpose of the PSSA is to assess the adequacy of the RBL program systems and capacity to manage relevant E&S risks and to identify areas that need to be improved. The PSSA will include an assessment of adequacy of RBL program system's arrangements for (i) early screening and mitigation of environmental and social impacts, (ii) the vulnerability of **project-affected persons** and the magnitude and nature of potential impacts, (iii) information disclosure mechanisms and consultations with stakeholders, (iv) grievance procedures, and (v) achieving the objectives of the ESSs applicable to the RBL program. The PSSA will also assess the borrower's track record, capacity, resources, and commitment to manage and mitigate unanticipated impacts or existing impacts, and identify programmatic, institutional, and contextual risks that may adversely affect the borrower's ability or capacity to implement the E&S requirements applicable to the RBL program.

40. The PSSA results will inform the integrated risk management plan for the RBL program that will identify the RBL program's strengths, weaknesses, and risks, and will help develop measures and actions to ensure that the RBL program systems can manage and mitigate RBL program risks and build capacity in the RBL program. ADB and the borrower will agree on such measures and actions, which will be included in an integrated risk management plan and a program action plan (PAP).

41. ADB will disclose a draft PSSA, including the identified weaknesses and proposed measures to improve the RBL program system prior to project appraisal and undertake consultations with RBL program **stakeholders** on the draft assessment. The final PSSA will also be disclosed.

42. All activities are eligible under the RBL program unless they are assessed to be classified as *High Risk*. The identification of ineligible activities will be based on the overall RBL program, and will consider the type, location, scale of activities, sensitivity, the magnitude and nature of potential adverse impacts on the environment and **project-affected persons**, "and/or other factors that contributed to a project being classified as *High Risk*, while considering the broader programmatic risks of the RBL program. The process will involve (i) classification of activities in accordance with the E&S Policy, and (ii) additional due diligence and analysis through the PSSA.

43. The report and recommendation of the President will document the findings of the E&S due diligence process and the way in which RBL eligibility criteria have been met. Information on E&S will include the E&S risk classification; potential **E&S risks and impacts**; programmatic, institutional and contextual risks; and other relevant factors such as legacy issues. The documentation will also provide substantiation that the RBL program systems can manage and mitigate E&S risks.

44. Where changing circumstances or unanticipated impacts result in **E&S risks and impacts** that differ from those identified at the time of ADB's RBL program approval, ADB, in consultation with the borrower, will agree to adjust the integrated risk management plan and the PAP in a manner proportionate to the E&S risks associated with such changes.

Borrower Requirements

45. Under an RBL program, the borrower uses the RBL program system to achieve the objectives of the ESSs applicable to the RBL program. The borrower will agree with ADB on measures and actions to address gaps identified by ADB in a PSSA that are included in an integrated risk management plan and a PAP.

46. The borrower will provide relevant information to ADB to undertake a PSSA.

47. During implementation of the RBL program, the borrower will continue to assess RBL program activities supported by ADB financing and will exclude activities that are likely to be classified as *High Risk* under the E&S Policy and those that are included in the ADB Prohibited Investment Activities List.

48. The borrower will monitor the implementation of the integrated risk management plan and the PAP and submit monitoring reports to ADB. If any E&S requirements specified in the integrated risk management plan or the PAP are not met, the borrower will develop and agree with ADB on a time-bound corrective action plan to bring the RBL program back into compliance with the E&S requirements in the integrated risk management plan and the PAP.

G. Project Readiness Financing

ADB Responsibilities

49. Because project readiness financing (PRF) only finance consulting services and pilot testing, it is unlikely to be classified as *High Risk*. Where PRF will finance pilot testing of project designs, ADB will undertake risk classification in accordance with the E&S Policy. Where a PRF is classified as *High Risk*, it will be considered by the Board of Directors, even if it is a small-scale PRF that does not exceed \$15 million.

Borrower Requirements

50. Where a PRF is classified as having **E&S risks and impacts**, the borrower will assess and manage the E&S risks and impacts in accordance with the relevant ESSs, proportionate to the nature and scale of the E&S risks and impacts associated with activities supported by ADB financing.

H. Small Expenditure Financing Facility

ADB Responsibilities

51. Before ADB's approval of a Small Expenditure Financing Facility (SEFF), ADB will undertake classification of the proposed first activity under the SEFF in accordance with the E&S Policy. Because the SEFF only finance consulting services and small works and equipment, it is unlikely to be classified as *High Risk*.

52. After ADB's approval of the SEFF, where a subsequent activity proposed under the SEFF will likely have **E&S risks and impacts**, such as in the case of pilot testing of project designs, ADB will undertake risk classification of such activity in accordance with the E&S Policy. Should an activity under the SEFF be classified as *High Risk*, a major change in scope of the SEFF and such activity will be considered by the Board of Directors.

Borrower Requirements

53. Where a SEFF is classified as having **E&S risks and impacts**, the borrower will develop an ESMF, following indicative requirements in Annex-4 to ESS1, to address the E&S risks and impacts of activities to be proposed by a borrower after ADB's approval of the SEFF. The borrower will undertake the assessment and management of the E&S risks and impacts associated with activities supported by ADB financing, in accordance with the requirements set out in the ESMF, ESS1 and other relevant ESSs, proportionate to the nature and scale of the E&S risks and impacts.

I. Technical Assistance

ADB Responsibilities

54. Where Technical assistance (TA) output is to finance a pilot testing of a project approach, ADB will undertake classification of such output in accordance with the E&S Policy. Pilot testing may not result in risk classification of *High Risk*, *Substantial Risk* or *Moderate Risk*.

55. Where a TA output is intended to directly support **host country's** policy reforms or development expenditure programs that are likely to have **E&S risks and impacts**, the responsibilities that apply to policy-based lending set out in paras. 31–32 will also apply in relation to such TA output.

Borrower/Client Requirements

56. Where **E&S risks and impacts** are identified for a TA output with pilot testing of a project approach, a borrower/client will agree with ADB on an arrangement under which the borrower/client will take responsibility for assessing and managing the E&S risks and impacts in accordance with the relevant ESSs. Such an arrangement will be proportionate to the identified potential E&S risks and impacts and will also confirm minimal or no adverse environmental or social risks or impacts due to TA activities.

57. Where a TA output is intended to directly support **host country's** policy reforms or development expenditure programs that are likely to have significant **E&S risks and impacts**, the requirements that apply to policy-based lending set out in paras. 33–34 will also apply in relation to such TA output.

J. Financial Intermediaries

58. For the purposes of FI, the term “project” and “borrower/client” as used in the E&S Policy and ESSs is interpreted as synonymous with “activities and transactions” and “FI”, respectively, as used in this Section J.

1. ADB Responsibilities

a. ADB Due Diligence

59. Where ADB provides financing to an FI, ADB will undertake due diligence (ADB DD) to review and evaluate the **E&S risks and impacts** related to the existing and planned activities and transactions of an FI's borrowers/investees to be financed by ADB. The ADB DD will also review an FI's capacity and commitment to manage those risks. The results of this ADB DD will inform ADB's review of an FI's ESMS and/or the activities and transactions of an FI's borrowers/investees as described in paras. 62–65.

60. For capital market transactions financed through an FI, E&S documentation prior to and after subscription may be subject to applicable capital markets rules and regulations and may not be available for review by ADB at the time of project processing. In such cases, ADB will assess an FI's E&S performance, including its capacity and commitment to manage the **E&S risks and impacts** associated with its activities and transactions, against the applicable requirements of the ESSs based on publicly available information.

b. Environmental and Social Risk Classification

61. ADB will classify all activities and transactions involving FIs or delivery mechanisms involving financial intermediation as “FI” into subclassifications of FI-1, FI-2, and FI-3, in accordance with the E&S Policy. As part of the risk classification, ADB will also consider risks relevant in the context in which an FI operates or activities and transactions supported by ADB financing will be developed and implemented, including those contextual risks described in para. 24 of the E&S Policy.

c. Environmental and Social Due Diligence Review

62. For FIs with portfolio and/or proposed activities and transactions that present high to substantial E&S risks (part or all of FI-1 and FI-2 portfolio), ADB will require that such FIs assess and require higher risk activities and transactions they support to apply the relevant requirements of the ESSs. These higher risk activities and transactions are referred to as “**higher risk transactions.**”

63. ADB will review and provide guidance to FIs on the need and adequacy of an ESMS. If an FI has an existing ESMS, ADB will review a corporate audit of the ESMS prepared by a qualified and experienced specialist. For FIs that will support **higher risk transactions** with ADB financing, a corporate audit will evaluate the FI's existing ESMS and the FI's past and current performance against the relevant ESSs. If any gap is identified through ADB's review, ADB will reach an agreement with the FI on a corrective action plan that sets out time-bound measures and associated budget needs to implement such a plan. ADB will require the FI to incorporate the corrective action plan into its corporate ESMS and to reflect it in an environmental and social action plan (ESAP), as necessary.

64. For any FI activities and transactions where other multilateral or bilateral funding agencies have already provided financing to the same FI, ADB may agree to rely on the requirements of such other agencies for the assessment and management of the **E&S risks and impacts** of the activities and transactions, including the institutional arrangements already established by the FI, provided that such requirements are consistent with the applicable requirements as set out in this Section J. ADB may also require the FI to enhance its ESMS, as deemed necessary following review by ADB.

65. For **higher risk transactions** to be supported by ADB financing, ADB will review and clear the screening, risk classification, and FI's E&S due diligence (FI ESDD) and **E&S assessment and management documents** prepared by FI borrowers/investees.

d. Information Disclosure

66. ADB will summarize and include in the relevant project document for disclosure on ADB's website ADB DD related to the existing and planned activities and transactions of an FI's borrower/investee to be financed by ADB, ADB's review of the FI's ESMS and/or corporate audit, the corresponding corrective action plan, if any, and the ESMS. ESAP, if any, as agreed between ADB and FI will also be disclosed. For capital market transactions, disclosure of E&S documentation prior to and after subscription is subject to applicable capital markets rules and regulations.

67. For FI-1 and FI-2, ADB will disclose monitoring reports for the activities and transactions supported by ADB financing. For **higher risk transactions** to be supported by ADB financing, ADB will also disclose any draft, or final if available, documentation prepared by FI borrowers/investees and submitted to ADB relating to the E&S assessment of such transactions.

e. Monitoring

68. ADB will require FIs classified as FI-1 and FI-2 to submit E&S monitoring reports to ADB for its review and disclosure. For **higher risk transactions**, E&S monitoring reports will have details for each activity and transaction supported by ADB financing. ADB will require FIs classified as FI-3 to report to ADB the number and types of activities and transactions that are supported by ADB financing.

69. If changes in an FI's activities and transactions supported by ADB financing result in E&S risks that differ from those identified at the time of ADB's support, ADB will assess the portfolio **E&S risks and impacts** affected by such change and an FI's capacity to manage the E&S risks and impacts and, if needed, require improved E&S risk management and enhanced reporting to ADB.

70. ADB will also review the ESMS, the results of FI ESDD and the monitoring conducted by an FI. The extent and frequency of such a review will be proportionate to the **E&S risks and impacts** of the activities and transactions supported by ADB financing but will be at least annually.

2. FI Requirements

3. The following paragraphs set out how certain requirements under ESS1 and ESS10 relevant to assessment, monitoring, information disclosure, **stakeholder** engagement, and grievance mechanisms (paras. 72-79) and under ESS2 and ESS4 relevant to labor and working conditions and occupational health and safety (para. 80) will be applied to FIs.

a. FI Due Diligence

72. Where the activities and transactions supported by ADB financing present **E&S risks and impacts** are classified as FI-1 or FI-2, the FI will develop an ESMS, following the indicative requirements in Annex-2. The scope and complexity of the ESMS will consider the use of ADB's financing proceeds and will be proportionate to the nature and scale of the E&S risks and impacts associated with activities and transactions supported by ADB financing. The use of an existing ESMS will be acceptable for ADB financed activities and transactions upon completing a corporate audit and agreeing with ADB on the corrective action plan, if required, as described in para. 63. These requirements apply to new financing undertaken by the FI and are not required to apply retroactively to activities and transactions in the FI's portfolio prior to ADB's support.

73. For **higher risk transactions** to be financed by the FI using ADB's proceeds, the relevant ESSs will be used as the underlying risk assessment and management standard in the ESMS to manage those **E&S risks and impacts** associated with activities and transactions financed by ADB to meet the requirements of the relevant ESSs.

74. For FI-3, simple E&S screening procedures will be required.² The E&S screening procedure will confirm minimal or no adverse E&S risks or impact with activities and transactions supported by ADB financing, and compliance in relation to the use of ADB's proceeds with ADB's Prohibited Investment Activities List and the **host country's applicable laws**.

75. An FI will undertake an FI ESDD, proportionate to the nature and scale of the **E&S risks and impacts** associated with the activities and transactions to be financed by ADB, and the FI's access to relevant information of its borrowers/investees, and the influence it can bring to bear on its borrowers'/investees' actions. In cases where ADB financing is earmarked for specific activities or transactions, such as financing for specific **asset classes**, the FI ESDD and the E&S risk assessment and management requirements will cover only such specified asset classes.

76. FIs will refer all **higher risk transactions** to be supported by ADB financing to ADB for its review, clearance, and disclosure, including the screening, risk classification, and FI ESDD undertaken by FI, as well as the **E&S assessment and management documents** prepared by FI borrowers/investees in accordance with para. 65.

b. Monitoring and Reporting

77. The FI will establish monitoring procedures to review progress with an ESAP and implementation of an ESMS. The extent and frequency of monitoring and reporting will be proportionate to the **E&S risks and impacts** of the activities and transactions supported by ADB financing but will be at least annually. For **higher risk transactions**, E&S monitoring reports will have details of each activity and transaction supported by ADB financing. An FI classified as FI-3 will report to ADB the number and types of activities and transactions that are supported by ADB financing.

78. If changes in an FI's activities and transactions supported by ADB financing result in **E&S risks and impacts** that differ from those identified at the time of ADB's support, an FI will be required to update its ESMS, in consultation with ADB, in a manner consistent with the E&S risk profile resulting from the changes.

² Such screening will be considered to constitute an ESMS that is proportionate to the minimal level of E&S risks posed by the proposed activities and transactions supported by ADB financing. No other ESSs will be applied for FI-3, except as set out in para. 80.

c. Stakeholder Engagement and Grievance Mechanism

79. FIs will develop and maintain **stakeholder** engagement procedures and a grievance mechanism, consistent with the relevant requirements of ESS10 and following indicative requirements in Annex-2.

d. Labor and Working Conditions, and Health, Safety, and Security

80. All FIs that receive ADB financing, regardless of being classified as FI-1, FI-2 or FI-3, will provide a safe and healthy working environment and also manage the working conditions of their employees in accordance with relevant aspects of ESS2 on Labor and Working Conditions and ESS4 on Health Safety and Security.

K. Corporate Finance

81. For the purposes of corporate finance, the term “project” and “client” as used in the E&S Policy and ESSs are interpreted as synonymous with “activities and transactions” and “CF Client,” respectively, as used in this Section K.

1. ADB Responsibilities

a. ADB Due Diligence

82. Where ADB provides any financing to a CF Client, ADB will undertake due diligence (ADB DD) to review and evaluate the **E&S risks and impacts** related to the activities of the CF Client to be financed by ADB as well as the CF Client’s own capacity and commitment to manage those risks. The results of this ADB DD will inform ADB’s review of a CF Client’s ESMS as described in para. 85.

83. For capital market transactions financed directly with a CF Client, E&S documentation prior to and after subscription may be subject to applicable capital markets rules and regulations and may not be available for review by ADB at the time of project processing. In such cases, ADB will assess a CF Client’s E&S performance, including its capacity and commitment to manage the **E&S risks and impacts** associated with its activities and transactions, against the applicable requirements of the ESSs based on publicly available information.

b. Environmental and Social Risk Classification

84. ADB will undertake risk classification and classify all activities and transactions proposed for ADB financing in accordance with the E&S Policy.

c. Environmental and Social Due Diligence Review

85. ADB will review and provide guidance to a CF Client on the need for, and adequacy of an ESMS. If a CF Client has an existing ESMS, ADB will review a corporate audit of the ESMS prepared by a qualified and experienced specialist. For CF Clients that will support activities and transactions classified as *High Risk*, *Substantial Risk* or *Moderate Risk*, a corporate audit will evaluate the CF Client’s existing ESMS and its past and current performance against the relevant ESSs. If any gap is identified through ADB’s review, ADB will reach an agreement with the CF Client on a corrective action plan that sets out time-bound measures and associated budget needs to implement such a plan. ADB will require the CF Client to incorporate the corrective action plan into its corporate ESMS and reflect it in an ESAP, as necessary.

d. Information Disclosure

86. ADB will summarize and include in the relevant project document for disclosure on ADB’s website ADB DD related to the existing and planned activities and transactions of the CF Client to be financed by ADB, ADB’s review of the ESMS and/or corporate audit, the corresponding corrective action plan, if any, and the ESMS. ESAP, if any, as agreed between ADB and CF

Client will also be disclosed. For capital market transactions, disclosure of E&S documentation prior to and after subscription is subject to applicable capital markets rules and regulations.

87. ADB will disclose monitoring reports for the activities and transactions supported by ADB financing. Where ADB proceeds are earmarked for *High Risk*, *Substantial Risk*, or *Moderate Risk* transactions, ADB will also disclose any draft, or final if available, documentation prepared by CF Client and submitted to ADB relating to E&S assessment of such transactions.

e. Monitoring

88. ADB will require a CF Client to submit E&S monitoring reports to ADB for its review and disclosure. ADB will also periodically review the ESMS and the results of the CF Client's E&S due diligence (CF Client ESDD).

2. CF Client Requirements

3. The following paragraphs set out how certain requirements under ESS1 and ESS10 relevant to assessment, monitoring, information disclosure, stakeholder engagement, and grievance mechanism requirements (paras. 90-101) and under ESS2 and ESS4 relevant to labor and working conditions and occupational health and safety requirements (para. 102) will be applied to CF Clients.

a. CF Client Due Diligence

90. Where the activities and transactions supported by ADB financing classified as *High Risk*, *Substantial Risk* or *Moderate Risks*, the relevant ESSs will be used as the underlying risk assessment and management standard in the ESMS, following indicative requirements in Annex-2, to manage those **E&S risks and impacts** to meet the requirements of the relevant ESSs. The scope and complexity of the ESMS will consider the use of ADB financing proceeds and will be proportionate to the nature and scope of the activities and transactions supported by ADB financing.

91. Where the activities and transactions supported by ADB financing present only low risks, simple E&S screening procedures will be required.³ The E&S screening procedure will confirm minimal or no adverse **E&S risks** or **impacts** with activities and transactions supported by ADB financing, and compliance in relation to the use of ADB's proceeds with ADB's Prohibited Investment Activities List and the **host country's applicable laws**.

b. ADB Proceeds Earmarked for Specific Activities and Transaction

92. In cases where ADB financing is earmarked for specific activities or transactions, the ESMS developed following indicative requirements in Annex-2 will cover only such specified activities, transactions, or **asset classes** supported by ADB financing. If ADB financing also supports the same activities and transactions that a CF Client finances with its own funds or other funds, the ESMS requirements will apply to all such activities and transactions financed by ADB and a CF Client, as originated from the time of ADB support, and will not include such other activities and transactions prior to ADB's investment.

93. A CF Client will undertake a CF Client ESDD proportionate to the nature and scale of the **E&S risks and impacts** associated with the activities and transactions supported by ADB financing.

94. Based on CF Client ESDD, a CF Client will identify mitigation and/or corrective measures to manage **E&S risks and impacts** for its activities and transactions financed by ADB. A CF Client will document the findings of the CF Client ESDD in a report or internal records, including recommendations on whether to proceed with financing and any conditions of investment, including any mitigation and/or corrective measures.

³ Such screening will be considered to constitute an ESMS that is proportionate to the minimal level of E&S risks posed by such activities and transactions. No other ESSs will be required for such CF Clients, except as set out in para. 102.

95. In cases where ADB financing will support a CF Client's activities and transactions that include existing facilities or existing activities and transactions, such as operating assets and assets under construction, a CF Client will apply the relevant requirements for existing facilities under ESS1. Where land acquisition is ongoing or has been completed and site clearing and construction activities have yet to start, a land acquisition audit will also be required in accordance with ESS5. These requirements will be reflected in the ESMS and/or ESAP.

96. Where ADB proceeds are earmarked for *High Risk, Substantial Risk, or Moderate Risk* activities and transactions, a CF Client will submit to ADB for review and clearance a CF ESDD undertaken by the CF Client and the **E&S assessment and management documents** relating to the environmental and social assessment of such activities and transactions.

c. ADB Proceeds Not Earmarked for Specific Activities and Transactions

97. In cases where ADB financing is not earmarked for specific activities, transactions or **asset classes**, such as general corporate finance and working capital support, a corporate audit will be undertaken by a qualified and experienced specialist of its existing ESMS and the company's past and current performance against the relevant ESSs.

d. Monitoring and Reporting

98. A CF Client will establish monitoring procedures to review progress with an ESAP and implementation of an ESMS. Depending upon the monitoring outcome, the mitigation measures in the ESAP will be supplemented by additional assessment and management planning.

99. All CF Clients receiving ADB financing will be required to submit E&S monitoring reports to ADB for disclosure. The extent and frequency of monitoring reports will be proportionate to the **E&S risks and impacts** of the portfolio supported by ADB but will be submitted at least annually.

100. If changes in a CF Client's activities and transactions supported by ADB financing result in **E&S risks and impacts** that differ from those identified at the time of ADB's support, a CF Client will be required to adjust its ESMS, in consultation with ADB, in a manner consistent with the E&S risk profile resulting from the new activities and transactions.

e. Stakeholder Engagement and Grievance Mechanism

101. CF Clients will develop and maintain **stakeholder** engagement procedures and a grievance mechanism, consistent with the relevant requirements of ESS10 and following indicative requirements in Annex-2.

f. Labor and Working Conditions, and Health, Safety, and Security

102. All CF Clients that receive ADB financing will provide a safe and healthy working environment and also manage the working conditions of their employees in accordance with relevant aspects of ESS2 on Labor and Working Conditions and ESS4 on Health Safety and Security.

Annex 1: Indicative Contents of an Environmental and Social Management Framework (ESMF)

1. The use of an ESMF will be considered for sector lending, emergency assistance loans, and MFF. An ESMF may also be considered for projects in fragile and conflict-affected situations, as set out in ESS1. For the indicative content of an ESMS, refer to Annex A-4 to ESS1.

Annex 2: Indicative Contents of an Environmental and Social Management System (ESMS)

1. An ESMS will consist of the following elements: (i) an E&S policy; (ii) internal organizational capacity and competency; (iii) due diligence processes/procedures to identify **E&S risks and impacts** of an FI's borrowers'/investees' activities and transactions or a CF Client's activities and transactions financed by ADB; (iv) monitoring, reviewing, and reporting of activities, transactions, and/or portfolio; and (v) **stakeholder** engagement and grievance mechanism. The following section describes indicative content of each of the components of the ESMS, which will be detailed proportionate to the **E&S risks and impacts** of the activities, transactions, and/or portfolio supported by ADB financing:

E&S Policy

Describes the overarching E&S policy, to be endorsed by senior management, defining the E&S objectives, principles, and E&S requirements and standards that will apply to manage the **E&S risks and impacts** associated with the activities and transactions.

Internal Organizational Capacity and Competency

Describe an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. This requires designating qualified personnel and communicating well-defined E&S responsibilities to designated personnel.

E&S risk identification, assessment and management planning – Due Diligence Processes

- (a) Establish processes to identify, assess, and manage **E&S risks and impacts** associated with an FI's or a CF Client's activities and transactions financed by ADB, and where appropriate, require an ESAP.
- (b) FI ESDD will: (i) review relevant documents and information provided by an FI's borrowers'/investees; (ii) review E&S risks and impacts of the activities against pre-determined criteria such as ADB's Prohibited Investment Activities List, relevant ESSs (for **higher risk transactions**) and the **host country's applicable laws**; (iii) conduct site visits, as appropriate; and (iv) review the track record of an FI's borrowers'/investees on E&S issues.
- (c) CF Client ESDD will identify and assess the E&S risks and impacts against relevant ESSs and the **host country's applicable laws** (for activities and transactions financed by ADB classified as *High Risk*, *Substantial Risk*, or *Moderate Risk*), and review against pre-determined criteria such as ADB's Prohibited Investment Activities List.
- (d) Require documentation of the findings of the FI or CF Client ESDD in a report or internal records, including recommendations on whether to proceed with financing and any conditions of investment, which will be reflected in an ESAP.

Monitoring, Reviewing, and Reporting

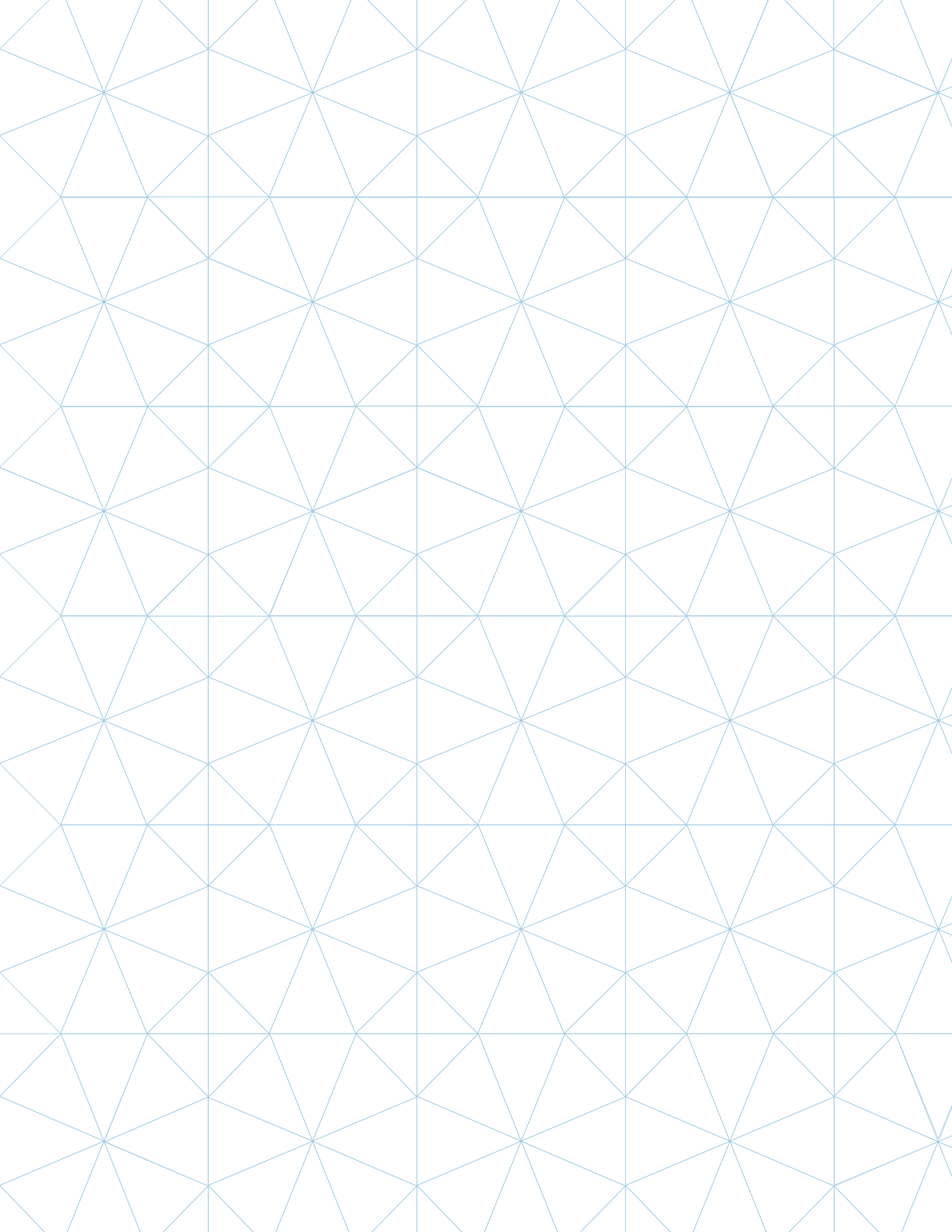
Establish monitoring procedures to review progress with the ESAP and implementation of the ESMS. The extent and frequency of monitoring will be proportionate to the **E&S risks and impacts** of the activities and transactions as identified through FI or CF Client ESDD but will be done at least annually.

Stakeholder Engagement and Grievance Mechanism

- (a) Describe procedure for **stakeholder** engagement that includes methods to receive, register, screen, analyze, assess, track, and if necessary, respond to and act upon, external inquiries, views, opinions, concerns (real or perceived), and requests for information and complaints from the public regarding the operations, investment activities, or in the case of an FI, an FI's borrowers'/investees in its portfolio. Such a procedure will also consider confidentiality of information. The complexity of such a procedure will be proportionate to the nature and scale of the **E&S risks and impacts** associated with an FI's or CF Clients' activities and transactions.

- (b) Provide publicly available and easily accessible channels to receive communications and requests from the public for information regarding E&S issues.
- (c) Assess the relevance of the external communication received and determine the level of response and actions required, if any.
- (d) Require a grievance mechanism if an FI's or a CF Client's activities and transactions are likely to generate adverse E&S risks and impacts on **project-affected persons** or the environment.

2. For those FI that support **higher risk transactions** and CF Clients that support activities and transactions with *High Risk, Substantial Risk, or Moderate Risks*, if any gaps are identified through ADB's review, between the existing ESMS of an FI or CF Client and the relevant ESSs, ADB and the FI or CF Client will reach an agreement on a corrective action plan that sets out time-bound measures and associated budget needs to implement such a plan. Such a corrective action plan will be reflected in the corporate ESMS and in an ESAP, as necessary. Where ADB DD has determined that an FI or a CF Client does not have adequate in-house capacity, an ESAP will describe how an FI or a CF Client will strengthen its in-house capacity or if that is not possible, retain qualified and experienced specialists to develop and implement an ESMS.



PART V
Prohibited Investment Activities List

Prohibited Investment Activities List

The following do not qualify for Asian Development Bank financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹ or child labor;²
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international instruments or subject to international phaseouts or bans, such as (a) pharmaceuticals,³ pesticides and herbicides,⁴ and persistent organic pollutants,⁵ (b) ozone-depleting substances,⁶ (c) polychlorinated biphenyls⁷ and other hazardous chemicals,⁸ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁹ and (e) transboundary trade in waste or waste products;¹⁰
- (iii) production of or trade in weapons and munitions, including paramilitary materials¹¹;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹¹
- (v) production of or trade in tobacco;¹¹
- (vi) gambling, casinos, and equivalent enterprises;¹¹
- (vii) production of or trade in radioactive materials,¹² including investment in nuclear reactors;
- (viii) production of, or trade in, or use of asbestos fibers;¹³
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- (x) marine, inland 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 or freshwater biodiversity and habitats;
- (xi) new coal-fired power generation and coal-fired heating plants;¹⁴
- (xii) coal mining, processing, storage or transportation;¹⁵
- (xiii) upstream or midstream oil projects;¹⁵ and
- (xiv) natural gas exploration or drilling.¹⁵

¹ Forced labor means all work or service that is exacted from any person under the threat of a penalty and for which the person has not offered themselves voluntarily.

² Child labor means work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development. This includes work that: (i) is mentally, physically, socially, or morally dangerous and harmful to children; (ii) interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long and heavy work; and/or (iii) involves hazardous conditions, such as exposure to dangerous substances, heavy machinery, or extreme temperatures that can endanger the health, safety, or well-being of children.

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

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

⁵ A list of persistent organic pollutants subject to the Stockholm Convention is available at <https://chm.pops.int/>.

⁶ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <https://ozone.unep.org/treaties/montreal-protocol>

⁷ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

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

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

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

¹¹ This does not apply where ADB financing is provided as general working capital, equity or other support that are not earmarked for specific activities, to an entity, who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to such entity's primary operations.

¹² This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

¹³ This does not apply to projects involving disposal of asbestos, provided a suitable asbestos management plan is adopted for such disposal.

¹⁴ Consistent with ADB's Energy Policy, this does not include early retirement of coal-based power plants and the enhancement of power generation dispatch regimes to discourage the use of high-emitting, inefficient coal-fired power plants. ADB.2021. Energy Policy.

¹⁵ ADB.2021. Energy Policy.

Environmental and Social Framework

The Environmental and Social Framework (ESF) affirms that environmental and social sustainability is a cornerstone of inclusive and sustainable economic growth and poverty reduction in Asia and the Pacific. ADB seeks to promote sustainability of project outcomes by protecting the environment and the people from projects' potential adverse impacts, while also recognizing the development priorities and constraints of borrowing countries. The ESF comprises: (i) the Vision, (ii) Environmental and Social Policy, (iii) 10 Environmental and Social Standards, (iv) Requirements for Financing Modalities and Products, and (v) Prohibited Investment Activities List.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 69 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

