

Environmental and Social Project Due Diligence

Guidance for Clients



1. Engagement and initial review

- The client provides information to NDB regarding the project, its E&S risks and impacts, management and mitigation plans, and any additional information requested by the Bank.
- The Bank assesses the key impacts and risks associated with the project, and decides on a provisional E&S categorization.
- NDB prepares an internal E&S Note for preliminary approval and plan for E&S due diligence.



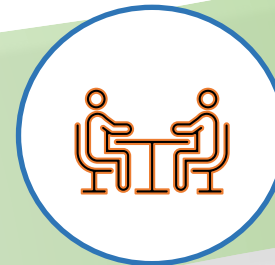
2. Meeting and agree on next steps

- The Bank shares an E&S questionnaire and E&S due diligence agenda with the client.
- The client provides additional information and clarifications.
- The Bank conducts site visits and meet with the client, government and other key stakeholders to discuss the E&S aspects of the project.
- The Bank assesses the project against the NDB ESF, and prepares internal E&S Assessment Note.
- To bridge the project's E&S compliance gaps, the Bank prepares Environmental and Social Impacts Management Plan (ESIMP).



3. Finalize the legal agreements

- ESIMP prepared by the Bank is shared with the client to have an agreement on the actions and timelines (during loan negotiations). Once the NDB Board of Directors approves the project:
- The legal agreements are mutually agreed upon and finalized.
 - The agreements reflect the terms of E&S compliance requirements, the ESIMP, and any other E&S commitments, including E&S monitoring and reporting provisions.



4. Move towards implementation

- After signing the loan agreement with the client, the Bank conducts a project inception mission to initiate the process of project implementation. The Bank:
- Reviews the progress made by the client after project appraisal.
 - Responds to the queries of the client on E&S reporting requirements for the project set in the Legal Agreements and Project Administration Manual.
 - Provides guidance on the reporting formats, schedules and coverage of information.



5. Ongoing monitoring and performance review

- During project implementation, monitoring occurs on two levels:
- Submission of the project progress reports in meeting the E&S terms of the Legal Agreements.
 - Site visits from NDB during the project review missions.
- Based on review of project progress and review missions, NDB prepares a note on project performance, including E&S, which entails the project assessment, status of ESIMP implementation, adequacy of mitigation measures, as well as recommendations as additional ESIMP actions.

New Development Bank

Environment and Social Framework and Standards

Guidance for Clients



NDB Environment and Social Framework

NDB believes that environmental and social sustainability are crucial while addressing the infrastructure gaps and sustainable development needs consistent with national laws and regulations and its mandate.

NDB's Environment and Social Framework (ESF), which includes Environmental and Social Policy (ESP) and Environmental and Social Standards (ESS), applies to all NDB financed and/or NDB administered projects with or without sovereign guarantee, including investment projects and their components.

Under the ESF, NDB requires the clients to meet the key requirements for environment and social assessment (ESS1), involuntary resettlement (ESS2), and indigenous peoples (ESS3) in the preparation and implementation of NDB projects.

NDB promotes the use of strong country and corporate systems in managing environmental risks and impacts. NDB relies on country and corporate systems to prepare and implement projects, provided such systems are fully consistent with the key requirements of NDB's Environmental and Social Policy and Environmental and Social Standards. NDB addresses the gaps, if any, by engaging the client to take adequate actions to ensure the full achievement of the objectives of this Framework.

Categorization

NDB screens and assesses each project at the concept stage to determine its risk categorization and updates the categorization during project processing. Depending upon the nature and extent of potential environmental and social impacts and covering all the three types of concerns of ESS, i.e., environment, involuntary resettlement, and indigenous peoples, only one category is assigned to the whole project based on the most environmental and socially sensitive concern(s) of the project. Projects are assigned to one of the four categories (A, B, C, and FI) depending on the significance of the project's potential environmental and social impacts.

Environmental and Social Assessment and Management Plans by clients

NDB requires the Client to conduct an environmental and social impact assessment of a scope and depth commensurate with the potential impacts' nature and magnitude.

NDB promotes the use of country and corporate systems to prepare environmental and social documents. In consultation with NDB, the client may choose an

appropriate instrument to address the potential environmental and social impacts.

During project appraisal, NDB confirms with the client that the social and environmental safeguard measures recommended in the environment management plan, resettlement plan, and indigenous peoples plan are appropriately integrated into the project design and adequately covenanted in the legal agreements.

Regardless of the instruments chosen, NDB requires that the preparation and implementation of the documents be consistent with the key requirements outlined in the ESF.

For any environmental and social impacts identified, NDB requires the Client to develop appropriate management plans (e.g., an environmental and social management plan, resettlement action plan, indigenous peoples plan, or equivalent) to avoid, minimize, or otherwise compensate for the adverse impacts.

Roles and Responsibilities of the Client

The Client is responsible for (a) conducting an assessment of environmental and social risks and impacts; (b) developing management plans to avoid, minimize and/or otherwise compensate for the adverse impacts; (c) engaging with people affected by the project and other stakeholders, through information disclosure, meaningful consultation and informed participation; (d) monitoring the environmental and social performance throughout the project implementation to ensure the compliance with agreed documents/plans, and providing periodic reporting to NDB as per legal agreement; and (e) establish and maintain a fair and effective grievance redress mechanism for environmental and social safeguards.

Documents to be prepared and maintained:

- E&S impact assessment/s
- E&S management plan/s
- Grievance redressal mechanism
- Consultation & disclosure records
- E&S monitoring reports
- Prior E&S approvals and Country System compliance

Useful documents on NDB Sustainability Portal:

www.ndb.int/sustainability

1. [NDB Environment and Social Framework](#)
2. NDB ESF in [Russian](#), [Chinese](#) and [Portuguese](#)
3. [E&S Screening Checklist for Projects](#)
4. [E&S Due Diligence Questionnaire for Projects](#)
5. [E&S Performance Report for Projects](#)

ESS 1. Environmental and Social Assessment

Objectives. Ensure E&S and sustainability of Operations and support the integration of E&S considerations into the decision-making process.

Application. The E&S standard applies when the project likely has adverse E&S risks and impacts. In general, ESS1 applies to almost all projects, as infrastructure and sustainable development projects involve some environmental and/or social impacts that must be addressed through proper planning and implementation of mitigation measures to ensure sustainability.

Focus of ESS 1

- ✓ E&S impact assessment commensurate to the project's scale and context
- ✓ E&S management plans and programs
- ✓ Consultation and information disclosure
- ✓ Grievance mechanism
- ✓ Monitoring of E&S performance

Key Requirements for Clients

1. Early screening of E&S risks and impacts. Screen projects at the outset to identify key E&S risks and impacts and to determine the scope and type of E&S assessment required.

2. Impact assessment. Conduct an E&S impact assessment for the proposed project following country systems and/or international good practices to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic, and physical-cultural resources, including climate change, and a strategic environmental assessment, as appropriate.

3. Analysis of alternatives. Review the various project options (site, design, technology, and components) and their E&S impacts and justify the selection of a particular alternative.

4. Management plan. Develop the necessary measures to minimize, mitigate, and offset negative and enhance positive impacts. Prepare an E&S management plan (ESMP) that includes mitigation measures, monitoring and reporting requirements, institutional arrangements, capacity development and training needs, implementation schedule, cost estimates, and performance indicators.

5. Consultation. Conduct meaningful consultations with stakeholders (including affected people and concerned nongovernmental organizations), ensure women's participation, involve stakeholders early in project preparation, and continue consultations throughout the project implementation to address discussions to address E&S assessment issues.

6. Grievance mechanism. Establish a grievance redress mechanism to receive and facilitate resolution of

affected peoples' concerns and complaints related to the E&S concerns.

7. Information disclosure. During project preparation and implementation, disclose E&S assessment documents (including the ESMP) in a timely, accessible, and understandable manner and in the language(s) that are understandable to stakeholders. Disclose draft E&S assessment. Identify and address issues and disclose draft and final assessments.

8. Monitoring. Conduct monitoring of E&S performance and document monitoring results, including development and implementation of corrective actions.

Coverage of Environmental and Social Assessment

Environmental Assessment

Biodiversity assessment. Evaluate the project's direct and indirect impacts on biodiversity, such as habitat loss, degradation, invasive species, exploitation, and the likely effects of climate change. Also, consider the different values placed on biodiversity by affected communities and other stakeholders.

Biodiversity impacts. Take every precaution to avoid adverse impacts on biodiversity. If avoidance is not possible, take steps to minimize adverse impacts by conducting an E&S assessment by competent biodiversity experts, developing a mitigation hierarchy (avoidance, minimization, rehabilitation/restoration, and offset), and developing a biodiversity action plan as appropriate.

Critical habitats. Do not implement project activities in critical habitat unless adverse impacts are negligible, populations of endangered species are not reduced, and lesser impacts are mitigated.

Natural habitats. Ensure that no significant conversion or degradation of natural habitats occurs unless there are no alternatives, that the overall benefits significantly outweigh the environmental costs, and that appropriate mitigation measures are taken.

Protected areas. Identify and assess potential adverse impacts to protected areas and apply the mitigation hierarchy to prevent or mitigate such impacts and ensure the protection of conservation objectives and biodiversity integrity.

Sustainability of land use. Assess the sustainability of the land use of the project footprint. Locate infrastructure projects that require land clearing to already converted or severely degraded land.

Pollution Prevention. Implement pollution prevention and control technologies and practices consistent with international good practices, implement clean production processes, and promote energy efficiency while minimizing pollution intensity and controlling

hazardous substances. Avoid the use of hazardous substances that are internationally banned or phased out.

Resource Efficiency. Implement measures for efficient energy, water, and resource use to conserve resources and integrate clean production principles into design.

Climate change. Assess the project's impact on climate change and the impact of climate change on the project. Develop mitigation and/or adaptation measures and identify low-carbon use and emissions reduction opportunities.

Greenhouse Gases. Implement cost-effective alternatives to significantly reduce project-related greenhouse gas emissions while quantifying direct and indirect emissions.

Social Assessment

Scope. Assess the potential social and economic impacts and risks, identify mitigation or avoidance measures, and describe the potential involuntary resettlement and Indigenous Peoples' areas affected by the project. Develop an appropriate plan.

Vulnerable Groups. Evaluate social risks and discrimination in granting development resources and benefits to vulnerable groups.

Gender. Identify gender-specific adverse impacts and develop mitigation measures. Consider improving the design for equity and empowerment, particularly with regard to access to finance, services, and employment.

Land and natural resource access. Evaluate the economic and social impacts of the involuntary taking of land or restriction on access to natural resources, land ownership, change in land use, and potential conflicts or challenges.

Cultural resources. Conserve cultural resources using field-based surveys and "chance find" procedures, utilizing pre-approved management and conservation approaches.

Community safety and health. Evaluate safety and health risks, implement preventive measures, and respond to minimize adverse impacts of projects on local communities.

Labor protection. Assess the working conditions and health and safety risks of project workers. Take measures to ensure safety, prevent accidents, meet the requirements of occupational health and safety, national laws, and International Labor Organization conventions, and provide health and safety precautions in the workplace. to the

ESS 2. Involuntary Resettlement

Objectives. Avoid and minimize involuntary resettlement by exploring alternatives, enhancing livelihoods, and improving living standards for vulnerable groups through

inclusive, sustainable development.

Application. Involuntary resettlement safeguards cover both physical and economic resettlement resulting from involuntary land acquisition or restrictions, whether partial or total, permanent or temporary.

Key Requirements

Early screening of potential risks and impacts. Early project screening to identify impacts and risks of involuntary resettlement. Assess the extent of resettlement planning through surveys and/or censuses of displaced persons, incorporating gender analysis.

Meaningful consultation. Adhere to national laws and policies when consulting affected persons and host communities. Inform displaced persons of their entitlements and available resettlement options and encourage their active participation in planning, implementation, and monitoring. Pay special attention to vulnerable groups and individuals without legal land titles.

Grievance mechanism. Establish a grievance mechanism to efficiently receive and address the concerns of affected persons to enable prompt resolution of grievances.

Livelihood restoration. Improve or restore the livelihoods of displaced persons through land-based resettlement strategies, cash compensation for shelter costs, and benefit-sharing arrangements. Ensure immediate access to equal or greater value assets, full replacement value for non-recoverable assets, and additional income and services to support their well-being.

Resettlement assistance. Provide resettlement, improved housing, employment opportunities, integration, transitional support, development assistance, and civil infrastructure and community services to displaced persons. Provide transitional support, credit facilities, training, and employment opportunities.

Standards of living. Enhance living standards for displaced poor and vulnerable groups, including women, by providing them with legal access to land and resources, sources of income, and housing.

Negotiated settlement. Develop transparent, consistent, and equitable land acquisition procedures for negotiated settlements to ensure equal income and livelihood.

Persons without title or legal rights. Ensure that displaced persons without land titles or identifiable legal claims to land are entitled to resettlement assistance and compensation for loss of non-land assets.

Compensation and entitlement. Compensation and other resettlement entitlements should be paid to affected persons before they are physically or economically displaced.

Resettlement plan. Prepare a resettlement plan that sets out the entitlements of displaced persons, the strategy for restoring income and livelihoods, the institutional arrangements, the monitoring and reporting framework, the budget, and the time-bound schedule.

Information disclosure. Prior to the appraisal, disclose the draft resettlement plan, including documentation of the consultation process, in an accessible location and in a form and language(s) understandable to affected persons and other stakeholders in a timely manner. Also, disclose the final resettlement plan and its updates to affected persons and other stakeholders.

Implementation. Include the full cost of resettlement in the presentation of project costs and benefits. For a project with significant involuntary resettlement impacts, consider implementing the involuntary resettlement component of the project as a stand-alone measure.

Supervision. Implement the resettlement plan under strict supervision throughout the project implementation.

Monitoring. Monitor and evaluate the results of resettlement, its impact on the living standards of displaced persons, and whether the goals of the resettlement plan have been achieved by considering baseline conditions and resettlement monitoring results. Ensure disclosure of monitoring reports to the affected persons and other stakeholders.

ESS 3. Indigenous Peoples

Objectives. Design and implement projects that respect indigenous peoples' identity, dignity, human rights, livelihoods, and cultural uniqueness. Ensure culturally appropriate benefits, avoidance of adverse impacts, active participation, and sustainable, inclusive development.

Application. This framework applies to projects that affect indigenous peoples' dignity, rights, livelihoods, culture, or ancestral territories or resources.

Indigenous peoples are social and cultural groups with unique characteristics such as self-identification, collective attachment to distinct habitats and territories, customary cultural institutions, and a distinct language. These characteristics are reflected in national legislation, customary law, and international conventions. Groups that have lost their collective attachment to habitats or ancestral lands due to enforced segregation may still be entitled to protection as indigenous peoples.

Key Requirements

Early screening. Screen the project early to determine if indigenous peoples live in or have a collective attachment to the project area and if indigenous peoples are likely to be affected by the project.

Social impact assessment. Conduct a culturally

appropriate and gender-sensitive social impact assessment or use similar methods to assess the project's potential positive and negative impacts on indigenous peoples' communities.

Meaningful consultation. Conduct culturally appropriate consultations with indigenous communities and organizations to ensure informed participation in designing, implementing, and monitoring measures to minimize impacts and tailor the project's benefits. Provide culturally appropriate and gender-inclusive capacity building to enhance active participation.

Participation. Consult with representative bodies of indigenous peoples, organizations, and community members to ensure effective participation in decision-making processes and project activities and ensure that adequate time is provided for their participation in the design of project activities or mitigation measures that could potentially impact them positively or negatively.

Indigenous peoples' plan. Develop an indigenous peoples' plan based on a social impact assessment involving experts and indigenous knowledge. The plan should include consultations, culturally appropriate benefits, remedial actions, grievance procedures, monitoring, evaluation, and a budget for implementing the planned actions.

Information disclosure. Disclose the draft plan, including the consultation process and social impact assessment results, to affected indigenous communities and stakeholders in accessible, understandable language prior to project appraisal. Disclose the final plan and its updates to affected indigenous communities and other stakeholders in a timely manner.

Monitoring. Monitor the plan's implementation by bringing in qualified and experienced experts as needed. Adopt a participatory monitoring approach wherever possible. Assess whether the goal and desired outcome of the plan have been achieved, taking into account baseline conditions and monitoring results, and disclose monitoring reports.

Participation. Establish a culturally appropriate and gender-inclusive grievance mechanism to receive concerns and complaints from affected indigenous peoples regarding the project's environmental and social impacts, facilitate timely resolution, and tailor the grievance mechanism to the project's risks and impacts on indigenous peoples.



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NDB Environment and Social Framework (ESF)

Environment and Social Policy (ESP)

- Applies to all NDB financed and/or administered projects
- Requires project to meet key requirements of NDB ESF/ESS
- Promotes use of country and corporate systems
- Addresses the gaps through engaging client to take adequate actions
- Use of appropriate risk-based framework
- Sets roles and responsibilities of client
- Defines “**Environmental and Social Exclusion List**”
- Project E&S Screening and Categorization

ESS1: Environmental and Social Assessment

- Applies to all the projects that are likely to have potential adverse environmental and/or social risks and impacts
- Underscores requirements to make E&S impact assessment commensurate to project’s scale and context
- Provides guidance on coverage of environmental and social aspects in the assessment
- Sets expectations in the E&S management plans, consultations and information disclosure, grievance mechanism, and E&S performance monitoring

ESS2: Involuntary Resettlement

- Covers physical or economic displacement as a result of involuntary acquisition of land or involuntary restrictions on land use
- Supports minimization of involuntary resettlement by exploring project and design alternatives
- Sets requirement to enhance, or at least restore, the livelihoods of all displaced persons
- Requires to improve the standards of living of the displaced poor and other vulnerable groups
- Defines key requirements to address involuntary resettlement impacts

ESS3: Indigenous Peoples

- Aims to foster full respect for indigenous peoples’ identity, dignity, human rights, livelihood systems and cultural uniqueness
- Applies if the project would directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples or affects the territories or natural or cultural resources that indigenous peoples own, use, occupy
- Defines key requirements to address any impact on indigenous peoples

Benefits of using NDB ESF and ESS

Manage E&S risks and impacts

Manage operational and reputational risks on NDB and its stakeholders

Mainstream E&S considerations into decision-making processes of all parties

Encourage international good E&S practices in operations and strengthen country systems