

## **India Infrastructure Financing Company Limited (IIFCL)**

### **Environmental and Social Safeguard Framework (ESSF) - A Summary of Key Features**

- 1 IIFCL was incorporated on 5 January 2006 under the Companies Act 1956 as a wholly government-owned company.
- 2 IIFCL is an apex financial intermediary for purposes of the development and financing of infrastructure projects and facilities in the country. IIFCL renders financial assistance through
  - (i) Direct lending to eligible projects
  - (ii) Refinance to banks and financing institutions (FIs) for loans with a tenor of 5 years or more
  - (iii) Any other method approved by the Government of India (GOI)
- 3 IIFCL is adopting a focused approach by addressing projects from the following sectors.
  - (i) Roads & bridges, railways, seaports, airports, inland waterways, other transportation projects
  - (ii) Power
  - (iii) Urban transport, water supply, sewerage, solid waste management, and other physical infrastructure in urban areas
  - (iv) Gas pipelines
  - (v) Infrastructure projects in Special Economic Zones
  - (vi) International convention centres, other tourism-related infrastructure and
  - (vii) Other infrastructure projects, as may be determined from time to time
- 4 The infrastructure imperatives have been examined across sectors and across implementing agencies and a four-fold approach has been developed
  - (i) Extend financial support to infrastructure projects in association with agencies, such as, National Highway Authority of India, National Airport Authority Ltd., Ministry of Power, etc. for PPP Projects
  - (ii) Consider PPP project outside the framework of apex institutions for financial assistance at the state and municipal level e.g. roads, urban development, minor ports, tourism related infrastructure.
  - (iii) Develop instruments to enhance investment in infrastructure, e.g. Guarantee Fund, Investment Fund, Equity Fund etc.
- 5 The projects supported by IIFCL being medium to large scale infrastructure projects, the IIFCL mandates have a potential of causing negative environmental and social impacts. As an environmentally aware and socially responsible institution, IIFCL is cognizant to the need to mitigate the negative environmental and social impacts of projects in its portfolio and has adopted Environmental and Social Policy (ESP) and developed procedures that ensure minimization of such impacts/risks.
- 6 The ESP of IIFCL also takes cognizance of environmental and social safeguards requirements of its financial partners, including the multilateral and bilateral developmental agencies.
- 7 The ESP of IIFCL is guided by its commitment to integrate environmental protection and social development in its mandates, in a proactive manner, to contribute towards sustainable development. To achieve the fine balance in developmental imperatives and environmental and social wellbeing, therefore,

- (i) IIFCL gives due importance to Environmental and Social (E&S) considerations in appraising and financing infrastructure projects to minimize adverse impacts and risks to the environment and people that may be affected.
  - (ii) IIFCL is committed to comply with all relevant E&S policy and legislative requirements and laws of the lands with which it engages and remain responsive to the E&S requirements of its Development Partners (DPs).
- 8 This policy statement emphasizes IIFCL's sensitivity and concern to environmental and social issues, commitment towards compliance, and responsiveness towards environmental and social requirements of its development partners. The ESP applies to all IIFCL mandates where funding from DPs is sought and is implemented through a well structured Environmental and Social Safeguard Framework (ESSF).
- 9 The Environmental and Social Safeguard Framework (ESSF) provides the enabling mechanism to IIFCL to deliver its policy objectives and applies to subprojects throughout the Project Cycle. The ESSF defines procedures, roles, and responsibilities, at various project milestones, for managing
- Adverse impacts/risks on environment,
  - Risks due to involuntary resettlement (IR) and
  - Negative effects on indigenous (tribal) peoples
- that may arise from implementation of such subprojects.
- 10 The objectives of ESSF are
- (i) To avoid and to minimize adverse environmental and social impacts/risks due to projects
  - (ii) To ensure that adverse environmental and social impacts/risks are well-mitigated to achieve applicable environmental standards and social objectives.
  - (iii) To comply with applicable GOI state laws and regulations, and environmental safeguards requirements of DPs.
  - (iv) To provide guidance to its own staff and to the lead banks/designated lead syndicator and subborrowers in preparing projects for appraisal at IIFCL and in conducting subsequent monitoring, reporting, and in undertaking corrective actions and
  - (v) To develop and exercise mechanisms for effective supervision during implementation.
- 11 This ESSF has been prepared as part of IIFCL's commitment to comply with the GOI's policies, law and regulations, as well as to follow the DPs (e.g., ADB, World Bank, Kreditanstalt für Wiederaufbau (KfW), and Japan Bank for International Cooperation (JBIC)) safeguard policies.
- 12 The ESSF is fully integrated with the Project Cycle (PC) of IIFCL. The environmental and social due-diligence processes prescribed by the ESSF come into play right from the entry of a new mandate into IIFCL investment approval system and remain active until IIFCL exposure to the project comes to an end.
- 13 To achieve its objectives, the ESSF focuses on six key functions, listed below, that define operations procedures for environmental and social due diligence on projects, allocate responsibilities among IIFCL and lead Banks/sub-borrowers, provide a system of checks and balances towards continual improvement, define institutional structure to operate the ESSF and recommend plan for capacity building in lead banks/sub-borrowers.

- Environmental Safeguards Framework (ESF)
- Social Safeguard Framework (ESF)
- Allocation of responsibility towards implementation of ESSF among stakeholders
- Annual Environmental and Social Audit for compliance, learning and improvement
- Institutional Structure for effective operations and
- Capacity development plan for lead banks and sub-borrowers.

- 14 The ESF of IIFCL is primarily based on EIA procedures of Government of India (GOI) as per the EIA Notification of 14, September 2006. Accordingly it follows the steps of screening of projects, scoping of environmental Impact assessment, environmental clearance and environmental monitoring and compliance during construction and operation phases of the project. At the same time, ESF is also consistent with environmental safeguard policies of DPs such as World Bank, ADB etc. It achieves the compliance with both GOI norms as well as the requirements of the DPs by aligning itself to the higher of the applicable environmental due diligence standards. Some key aspects of ESF, in this context, are the following:
- a. The screening criteria for Infrastructure projects defined by GOI do not entail environmental clearance for water supply and sewerage projects. Such projects therefore do not require preparation of environmental impact assessment. The environmental safeguard procedures of DPs however base the environmental due-diligence on the nature, magnitude, and significance of environmental impacts. Based on scale, nature and environmental setting, any infrastructure project, therefore, may require environmental impact assessment. The ESF of IIFCL therefore includes water supply and sewerage project in the screening process and based on the anticipated impacts determines the extent of environmental due-diligence.
  - b. As per the Gol procedures, the stakeholders consultant in the process of finalization of the EIA is conducted in a form of public hearing organized by Centre / State Pollution Control Boards. The DPs safeguard requirement however entailed that projects having potentially significant negative impacts also involve the stakeholder at the stage of scoping of the EIA studies. Considering the potential of such consultations in improvement in quality of environmental impact assessment and better acceptance of its outcomes, ESF also mandates conduct of at least two consultants during preparation of EIA for IIFCL financed projects.
  - c. Further, considering the importance of EA recommendations in mitigating environmental risks, IIFCL lays added emphasis on environmental compliance during project implementation. For this purpose ESF defines a clear process of incorporating recommended environmental management plan in concession agreement and contract documents to make it obligatory for the project to compliant with environmental safeguards. The ESF also provides for annual environmental and social audit to achieve higher adherence to environmental standards and document lessons for the future. These provisions are again in line with spirit of Gol procedures for EC which lays significant emphasis on implementation phase compliance of environmental safeguard.
- 15 The environmental information and instructions to be used by the ESF are detailed in Annexes 1 through 20 in the draft ESSF available at IIFCL website. A brief description of the subject matter of these Annexes in presented in Appendix -1.
- 16 On the social side, the SSF of IIFCL defines the operational steps for social due-diligence for IIFCL financed projects. These procedures in the current draft refer to provisions of National Policy on Resettlement and Rehabilitation 2006 which will be now updated to National Resettlement Rehabilitation Policies (NRRP) 2007. With respect to the social safeguards of the DPs and policies of State governments,. The substantial deviation of SSF with respect to the NRRP 2007 are listed below

- a. The NRRP mandates a five-year presence of non-titleholder families in the project area before land acquisition notification for their recognition as affected family, whereas the ESF considers the date of notification for land acquisition as the qualifying date for the purpose.
  - b. Provision of rehabilitation assistance equal to the difference between the compensation determined as per the Land Acquisition Act 1894 (along with LA (Amendment) Bill 2007) and the replacement value of lands and assets at the time of publication of land acquisition notification.
- 17 Wherever, there may a difference in provisions among national, state and DPs social safeguard policies, the ESF mandates that the highest provisions available will be used to mitigate subproject impacts.
  - 18 The ESF also provided enhanced emphasis on productive use of compensation to generate sustainable income for the affected families through income generation schemes.
  - 19 The ESF also lays emphasis on completion of resettlement and rehabilitation measures before physical displacement of affected families and post-implementation audit.
  - 20 The social information and instructions to be used by the ESF are detailed in Annexes 1 through 10 in the draft ESSF available at IIFCL website. A brief description of the subject matter of these Annexes is presented in Appendix -2.
  - 21 The details proposed institutional structure for implementation of ESSF and procedures for environmental and social audits are presented in detail in the draft ESSF. A summary of allocation of responsibility towards implementation of ESSF is presented below

<b>Tasks</b>	<b>Primary Responsibility</b>	<b>Secondary Responsibility</b>
Submit all documentation related to environmental consents, clearances, etc. and EIA/EMP reports	Lead Bank / Subborrower	
Check environmental and social compliance	ESMU/IIFCL	PMC-I
Check adequacy and effectiveness of EMP and RP/TDP	ESMU/IIFCL	PMC-I
Update PIM and EMP, RP, TDP; conduct financial appraisal	ESMU/IIFCL	PMC-I
Specify conditionality and update legal document	ESMU/IIFCL	PMC-I
Prepare memo to IIFCL Board	Lead Bank / Subborrower	
Implement EMP, RP, TDP	Lead Bank / Subborrower	
Conduct monitoring	Lead Bank / Subborrower	
Meet environmental and social compliance	Lead Bank / Subborrower	
Conduct monitoring and evaluation	ESMU/IIFCL	PMC-I, Lead Bank / subborrower
Conduct annual environmental and social and disclose the annual environmental and social audit report	ESMU/IIFCL	PMC . I, Lead Banks/Subborrower
Conduct awareness and training	ESMU/IIFCL	PMC - II
Update EMS document	ESMU/IIFCL	PMC . I

EIA = Environmental Impact Assessment, EMP = Environmental Management Plan, EMS = Environmental Management System, ESMU = Environment and Social Safeguards Management Unit, IIFCL = India Infrastructure Finance Company Limited, PIM = Project information memorandum, PMC = Project Management Consultant.

**Annexure -1**

**List of Annexure Providing Useful information/Guidance Material for Implementation of ESF**

<b>Annexure No.</b>	<b>Title of the Annexure</b>	<b>Remarks</b>
Annexure E . 1	Overview of the Environment Impact Assessment (EIA) Process of Government of India (GOI)	This annexure provides a detailed description of EIA notification 2006 and the procedure GOI follows for environmental clearance of projects
Annexure E . 2	Comparative Assessment of Environmental Safeguard Process, Procedures and Practices	This annexure provides a detailed comparison of Environmental Safeguard Procedures of the World Bank, Asian Development Bank, JBIC, KfW Development Bank and Govt. of India.
Annexure E . 3	Specified Requirements for Environmental Clearance as listed in the Environment Impact Assessment Notification, MoEF, 2006	This annexure provides the screening criteria of the project as per the EIA notification 2006
Annexure E - 4	Summary of Key E&S Legislations in India	This annexure lists the various environmental social legislation in India that need to be referred to / complied with while undertaking environmental and social due-diligence on projects
Annexure E . 5	Environmental Rules and Notifications Relevant to Infrastructure Projects	This annexure provides the list and brief description of environment rules and notification relevant to Infrastructure projects in India
Annexure E . 6	E&S Regulations and Obligations, and Areas of Applicability at Project Sites	This annexure provides environmental and social regulations, their applicability at project site and the obligation of project proponent under the legislation.
Annexure E . 7	Prohibited Activities in CRZ (Coastal Regulation Zone Notification, 1990, Amended 2001)	This annexure provides various clauses of coastal regulation zone notification 1990 amended in 2001
Annexure E . 8	EIA / SIA Review Checklist	This annexure provides a checklist of information that should be examined while reviewing the Environmental Impact Assessment studies.
Annexure E . 9	Terms of Reference for Environment and Social Assessment	This annexure provides Terms of Reference for undertaking environmental and social assessment
Annexure E . 10	ToR For Detailed Environmental Impact Assessment of High Impact Category Highway Sub-Projects	This annexure provides Terms of Reference for environmental impact assessment of highway projects that constitute a significant part of IIFCL's portfolio of projects.
Annexure E . 11	Public Consultation Process Defined by MoEF's EIA Notification, 2006	This annexure provides the salient features of public hearing to be conducted for EIA clearance.
Annexure E . 12	Public Consultation and Information Disclosure Mechanism as per MoEF's EIA Notification, 2006	This annexure provides the detail mechanism for public consultation and disclosure mechanism as per the EIA notification 2006
Annexure E . 13	Guidance on Incorporating the EMP into Contract Documents (in the case of Highway projects)	This annexure provides guideline for inclusion of EMP specifications in the contractor's agreement.

<b>Annexure No.</b>	<b>Title of the Annexure</b>	<b>Remarks</b>
Annexure E . 14	Checklists of Documents that should be Submitted by Lead Banks / Subborrowers to IIFCL for Loan Application.	This annexure provides Checklist of documents that need to be submitted by the lead banks / subborrowers to IIFCL to facilitate environmental due-diligence on the project
Annexure E . 15	Audit Recording Sheet Implementation of Environmental Safeguard Systems (The form will continue for the project life)	This annexure provides the key milestones for which the environmental audit observations will be recorded as a part of annual audit
Annexure E . 16	Illustrative Formats for Monitoring	This annexure provides format in which the project progress monitoring observations will be recorded
Annexure E . 17	Illustrative Formats for Reporting to the Development Partners	This annexure provides the format for reporting the progress on environmental covenants to DPs
Annexure E . 18	Outline Terms of Reference for Project Management Consultant . I	This annexure provides the Terms of Reference for Project Management Consultant . 1 that will work closely with internal staff of IIFCL.
Annexure E . 19	Outline Terms of Reference for Project Management Consultant . II	This annexure provides the Terms of Reference for Project Management Consultant . II that will be an external expert and will provide specialized inputs to IIFCL.
Annexure E . 20	Outline Training Programme for Lead Banks / Subborrowers on IIFCL's EMS	This annexure provides outline for training program that is proposed to familiarize Lead Banks, Sub-borrowers with the requirements of ESSF of IIFCL.

## Annexure -2

### List of Annexure Providing Useful information/Guidance Material for Implementation of SSF

Annexure No.	Title of the Annexure	Remarks
Annexure S-1	Review of Policy and Legal Framework	This annexure reviews all national legislations and social safeguard policy and DPs to provide quick understanding and salient aspect of these instruments.
Annexure S . 2	Resettlement Screening Checklist	This annexure provides a checklist for seeking basic information on IR / IP impacts to determine the documentation and applicable procedures to carryout social due-diligence
Annexure S- 3	Tribal Peoples Effects Screening Checklist	This annexure provides a checklist for seeking basic information on IP impacts to determine the documentation and applicable procedures to carryout social due-diligence
Annexure S- 4	Scope of Short Resettlement Plan	The Government of India procedures as well as the social safeguard of DPs allow for abridged documentation, if the social impacts of the project are not significant. This annexure provides the area of coverage of short resettlement plan applicable for such project.
Annexure S . 5	Scope of Full Resettlement Plan	The projects with significant IR impact require detailed consideration of social impacts and their mitigation, their implementation of well-developed resettlement plan. This Annexure provides the necessary details with a full RP need to cover.
Annexure S . 6	Paying Replacement Value	This annexure documents the procedure for estimating the rehabilitation assistance by delineating the process for estimation, replacement value of lands and assets. This annexure also emphasis the need to complete the rehabilitation implementation works before physical displacement of affected families.
Annexure S . 7	Sample Entitlements Matrix Format	This annexure is the key to ESF and delineates the entitlement for various loss categorizes such as agricultural land, homestead, residential, commercial tenancy and entitlements to squatters and allowance for loss of earnings, shifting of belongings, crop and fruit bearing trees, negative impact on Schedule Tribe families and common property resources.

<b>Annexure No.</b>	<b>Title of the Annexure</b>	<b>Remarks</b>
Annexure S . 8	Scope of Short Tribal Development Plan	This annexure provides the details that need to be covered short tribal development plans with the IR impacts at indigenous people are minor or insignificant
Annexure S . 9	Scope of Full Tribal Development Plan	This annexure provides the details that need to be covered long tribal development plans with the IR impacts at indigenous people are major or significant
Annexure S- 10	Draft TOR for an External Agency for Monitoring and Evaluation	This provides detailed terms of reference for external agency for monitoring, evaluating, resettlement implementation plan.