

# **Environmental and Social Framework**

**For**  
**Grantees of PMDFC Grants**

**VOLUME I**  
**( Final Draft )**  
**(November 2005)**



**PUNJAB MUNICIPAL DEVELOPMENT FUND COMPANY**

# TABLE OF CONTENTS

	<b>Page</b>
<b>Executive Summary .....</b>	<b>i-vi</b>
<b>PART – I</b>	
<b>PMDFC’s Policy Statement .....</b>	<b>1</b>
<b>PART – II</b>	
<b>Section - 1</b>	
<b>Environmental and Social Issues</b>	
<i>Typical Municipal Infrastructure Projects .....</i>	<i>2</i>
<i>Environmental and Social Issues.....</i>	<i>2</i>
<i>Environmental and Social Categorization of Urban Infrastructure Projects .....</i>	<i>6</i>
<b>Section - 2</b>	
<b>National Policy and Regulatory Framework</b>	
<i>Environment Regulatory Framework: Urban Infrastructure Projects.....</i>	<i>9</i>
<i>Social Implications – Rehabilitation &amp; Project Affected Households.....</i>	<i>12</i>
<i>Land Acquisition and Resettlement Context.....</i>	<i>14</i>
<i>World Bank OD 4.01 Requirements .....</i>	<i>14</i>
<i>Competent Regulatory Agencies.....</i>	<i>14</i>
<i>Current Regulatory Framework for Land Acquisition.....</i>	<i>15</i>
<i>Relationship between the ESF &amp; Land Acquisition Act 1894 .....</i>	<i>18</i>
<i>World Bank OP 4.12 on Involuntary Resettlement.....</i>	<i>20</i>
<i>PMDFC's Social Entitlement Framework.....</i>	<i>20</i>
<i>Grievance Redress Mechanism .....</i>	<i>22</i>
<i>Public Consultation and Participation.....</i>	<i>23</i>
<i>Public Disclosure .....</i>	<i>23</i>
<i>Implications to PMDFC .....</i>	<i>24</i>
<i>Social Impacts &amp; Entitlement Framework for World Bank Financed Projects ..</i>	<i>24</i>

### **Section - 3**

#### **Environmental, Social and Management Framework**

<i>Project Screening</i> .....	33
<i>Project Appraisal</i> .....	34
<i>Grant Sanction &amp; Disbursement</i> .....	34
<i>Project Monitoring, Audit and Recovery</i> .....	34
<i>Environmental and Social Risk Management Framework</i> .....	38
<i>Insurance Mechanism</i> .....	39

### **Section - 4**

#### **Organizational Structure**

<i>Organizational Structure</i> .....	43
<i>Responsibility Allocation Framework</i> .....	43
<i>Capacity Building</i> .....	44
<i>PMDFC Organizational Chart</i> .....	46

### **Appendices**

<i>Appendix-1: Social Impact and Entitlement Framework for World Bank Financed Projects</i> .....	1
<i>Appendix-2: PMDFC Organizational Chart</i> .....	6
<i>Appendix-3: Terms of Reference for Environmental and Social Consultants</i> .....	7

---

---

# LIST OF TABLES

---

---

**Page No**

**SECTION - 1**

<b>Table 1.1</b>	<i>Profile of PMDFC Projects with Tentative Environmental Categorization .....</i>	<i>7</i>
<b>Table 1.2</b>	<i>Categorization of Projects based on Social Sensitivity.....</i>	<i>8</i>

**SECTION - 2**

<b>Table 2.1</b>	<i>Environmental Legislation in Pakistan .....</i>	<i>11</i>
<b>Table 2.2</b>	<i>Social Entitlement Framework for World Bank Financed Projects.....</i>	<i>30</i>

**SECTION - 3**

<b>Table 3.1</b>	<i>Environmental and Social Assessment and Management Framework.....</i>	<i>36</i>
<b>Table 3.2</b>	<i>Environmental and Social Risk Management Framework.....</i>	<i>41</i>
<b>Table 3.3</b>	<i>Risk Allocation Framework for PMDFC projects.....</i>	<i>42</i>

---

---

## ACRONYMS USED IN TEXT

---

---

DPR.....	Detailed Project Report
EAR .....	Environmental Assessment Report
EIA.....	Environmental Impact Assessment
ESAR .....	Environmental and Social Assessment Report
ESR .....	Environmental and Social Report
FI.....	Financial Institution
GF .....	Grant Fund
GOP .....	Government of Pakistan
GoPb .....	Government of Punjab
HH.....	Household
IDA .....	International Development Agency
IFC .....	International Finance Corporation
IS.....	Initial Screening
KAA.....	Katchi Abadis Authority
LAC .....	Land Acquisition Collector
LGs.....	Local Governments
MD.....	Managing Director
MELG&RD .....	Ministry of Environment, Local Government & Rural Development
NGO.....	Non Governmental Organization
OD.....	Operational Directives
OP .....	Operational Policy (WB)
OPN .....	Operational Policy Note (WB)
PAHs.....	Project Affected Households
PAPs.....	Project Affected Persons
PMDFC.....	Punjab Municipal Development Fund Company
R&R.....	Resettlement and Rehabilitation
RAP.....	Resettlement and Rehabilitation Action Plan
RMP.....	Risk Management Plan
SAR.....	Social Assessment Report
TOR .....	Terms of Reference
TMA.....	Tehsil Municipal Administration
WB.....	World Bank

---

---

# EXECUTIVE SUMMARY

---

---

## BACKGROUND

1. The Punjab Municipal Development Fund Company (PMDFC) is a government sponsored company (limited by guarantee) established under the Companies Ordinance with an autonomous governance structure.
2. The PMDFC is a lean organization with a small key staff. It will develop a roster of consultants for various areas of its operation to handle urban investment, institutional development and environmental and social issues.
3. PMDFC would provide financial grants, technical assistance and training to LGs / TMAs for urban infrastructure investments and institutional strengthening, based on clear and transparent eligibility criteria.

The projects financed would;

- ensure that investments are commensurate with service demands;
  - earn stipulated economic and financial returns;
  - be institutionally viable so that the grantees are capable of implementing the management arrangements to do so;
  - be environmentally and socially acceptable and involve the informed participation of the appropriate stakeholders wherever possible;
  - ensure that any adverse environmental and social impacts are minimized and/or mitigated;
4. Typical urban infrastructure projects eligible for funding would include water supply, sewerage, sanitation, solid waste management, urban roads, storm-water drains, street lighting, bus terminals, amongst others.
  5. Recognizing the environmental and social issues that can arise in urban infrastructure projects, and the need to encourage stakeholder ownership and commitment to project objectives, PMDFC has evolved an ESF. The ESF provides PMDFC with an overall framework to guide it in identification, assessment and management of environmental and social concerns at the project level. The ESF outlines the policies, and procedures that will enable PMDFC to ensure that a project that it funds is socially and environmentally sound. The ESF also aims to ensure that grantees adopt and pursue sound environmental and social policies and practices in the development of sustainable urban infrastructure investments..
  6. The Environmental and Social Assessment Framework (ESF) for PMDFC is in two volumes:
    - Volume I: consists of an Executive Summary; and, a Social and Environmental Assessment Framework
    - Volume II: consists of the Environmental and Social Information package for grantees of PMDFC grants.

## **PMDFC POLICY STATEMENT**

7. PMDFC has adopted the Environmental and Social Policy to promote environmentally sound, socially acceptable and economically viable urban infrastructure projects that will improve the standard of living of populations in and around project locations, and secure their involvement (where appropriate) in the operation and maintenance of such projects.

PMDFC is committed to pursuing strategies which are:

- Environmentally sound – they conserve natural resources, preserve bio-diversity and ecological equilibrium; minimize release of polluting wastes and integrate waste management mechanisms within projects;
- Socially relevant and acceptable - they avoid or minimize resettlement, and, if involuntary resettlement is unavoidable, they undertake responsible resettlement and rehabilitation plans and address the legitimate concerns of relevant stakeholders;

## **DEALING WITH ENVIRONMENTAL ISSUES**

8. Based on the magnitude and implications of environmental issues that can arise in urban infrastructure projects, PMDFC has categorized them into three categories *viz.* E-1, E-2 and E-3.
- a) E-1 projects are those wherein PMDFC foresees significant environmental impacts thus necessitating Environmental Assessment Reports (EAR);
  - b) E-2 projects are expected to have moderate environmental issues. Grantees will submit a simple Environmental Management Plan for E-2 projects based on a catalogue of environmental management measures made available by PMDFC;
  - c) No environmental issues are expected in E-3 projects and hence these can be termed 'environmentally benign'. No environmental analysis necessary;

## **DEALING WITH SOCIAL ISSUES**

9. Based on the perceived magnitude and implications of social impacts arising from particular projects, PMDFC has categorized projects as either S-1, S-2 or S-3 projects.
- a) S-1 projects are those that involve involuntary resettlement of 40 plus households. For such projects a detailed Resettlement and Rehabilitation Plan (RAP) will be required, in addition to a Social Assessment Report (See category S-2);
  - b) S-2 projects are those that are expected to have significant social impacts, but minimal involuntary resettlement (i.e. less than 40 households). For such projects a Social Management Plan (SMP) which outlines the key social issues, the ways in which they will be addressed, and the proposals for stakeholder participation, will be developed. Formats for the development of SAR are provided by PMDFC;
  - c) S-3 projects, are not expected to have any adverse social impacts, but may require the production of a Social Assessment Report which outlines the consultative and participatory approach to be adopted in the pursuit of stakeholder involvement and commitment to project objectives;

## **NATIONAL POLICY AND REGULATORY FRAMEWORK**

### **The 1997 Pakistan Environmental Protection Act - Definition**

10. The Pakistan Environmental Protection Act defines the environment as: “*Air, water and land; all layers of the atmosphere; All organic and inorganic matter and living organisms; The ecosystem and ecological relationships; buildings, structures, roads, facilities and works; all social and economic conditions affecting community life; and The inter-relationships between any of the factors....*”
11. The guidelines pursuant to the Act provide a broad definition very similar to that adopted by the Bank and organized under headings which differ from the Bank’s only in semantic terms as follows:
  - **Physical Resources** – including topography, soils, climate, surface water, groundwater and geology/seismology characteristics;
  - **Ecological Resources** – including fisheries, aquatic biology, wildlife, forest and rare or endangered species;
  - **Human and Economic Development** – including population and communities, industries (including known development proposals), institutions, transportation, land use planning, power sources and transmission, agricultural and mineral development;
  - **Quality of Life Values** – including socio-economic values, public health, recreational resources and development, aesthetic values, archaeological and historic resources, and cultural values;
12. The comprehensiveness of the definition of the environment by the Pakistan Act is consonant with international definitions. The approaches and standards adopted by the World Bank and the IFC <sup>1</sup> will be the ones adopted by PMDFC, supplemented when necessary with the additional considerations stipulated pursuant to the Pakistan Environmental Protection Act.

### ***Regulatory Framework- Environment***

13. Mandatory environmental laws applicable to PMDFC financed projects are both pollution and natural resource related. Key Mandatory environmental laws are:
  - Pakistan Penal Code, 1860
  - Factories Act, 1934
  - Pakistan Nuclear Safety and Radiation protection Ordinance, 1984
  - Pakistan Territorial Waters and Maritime Zones Act, 1976
  - The Forest Act, 1927
  - West Pakistan Firewood and Charcoal Act, 1975
  - The Cutting of Trees Act, 1975

---

<sup>1</sup> The Bank’s Safeguard Policies are: Operational Directive (OD) 4.01 on Environmental Assessment, OD 4.03 on Pesticide Management, OP 4.04 on Conservation of Natural Habitats, OD 4.07 on Water Resources Management, OD 4.20 on Indigenous Peoples, OP 4.12 on Involuntary Resettlement, Operational Policy Note (OPN) 11.03 on Management of Cultural Property, and OP 4.36 on Forestry Management.

- Punjab Wildlife Protection Act, 1974
- The Antiquities Act, 1975
- The Punjab Special Premises Preservation Ordinance, 1985

14. Key prescriptive environmental laws and policies are:

*Legislation*

- The Motor Vehicle Ordinance of 1965, and Motor Vehicle Rules, 1969
- West Pakistan Regulation and Control of Lead Amplifiers Ordinance, 1965

Compliance with environmental requirements laid down by the policy, legal and regulatory framework is unlikely to pose the problem in the majority of projects that are envisaged to be financed by PMDFC. However, in most cases the regulatory agency is the municipal authority. Hence it will be essential for the LG/TMA requesting the finances to clearly separate the project execution function and regulatory function. It will be the responsibility of the LG/TMA to furnish the necessary undertaking of compliance along with the project proposal. Categorization of projects will be carried out so that assessments can be undertaken speedily and remedial or mitigation measures agreed and adopted.

***Regulatory Framework - Social***

15. Mandatory Social Laws are:

- Land Acquisition Act of 1894
- The Land Acquisition Rules 1984

16. World Bank Operational Policy (OP) 4.12 outlines Bank policy and procedures on involuntary resettlement as well as conditions that grantees are expected to meet in operations involving resettlement. The objective of the Bank's policy is to ensure that populations displaced by a project also benefit from the project and that standards of living are improved, or at a minimum, restored. PMDFC would ensure that Bank policies are followed.

17. The World Bank Operational Policy Note (OPN 11.03) outlines the policy and procedures to be adopted for dealing with cultural property. PMDFC would ensure that this policy is complied with.

18. The Social Assessment Report will ensure that issues of poverty, gender and child labor are systematically addressed to ensure that the interests of marginalized and vulnerable groups are given appropriate attention and that, wherever possible, opportunities for enhancing their livelihoods are pursued.

**PMDFC's ENTITLEMENT FRAMEWORK FOR DEALING WITH INVOLUNTARY RESETTLEMENT**

19. PMDFC will ensure that the Policies and Procedures described in the ESF are applied to all sub-projects that it funds.

20. In contrast to the environmental legislation, which exists in Pakistan and provides a reference for the environment section of the ESF, no similar framework or legislation exists for general social impacts of urban infrastructure projects - resettlement and rehabilitation (R&R) in particular. In order to provide a framework for the R&R process

in projects where World Bank financing is involved, the ESF provides a list of entitlements for project affected individuals, families and establishments (A detailed outline of this entitlement framework is provided in Appendix 1).

### **PMDFC ENVIRONMENTAL AND SOCIAL ASSESSMENT FRAMEWORK**

21. PMDFC will ensure the financial viability of each project that it funds. The project cycle for appraising and monitoring projects provides the framework for assessment and management of environmental and social issues that arise within projects financed by PMDFC.
22. A strategy for community consultation will provide the basis for ensuring that infrastructural investment proposals are socially appropriate and acceptable

#### ***Environmental, Social Assessment and Management Framework***

23. The various steps for environmental and social assessment and management of PMDFC projects have been dovetailed into the PMDFC project cycle. Initial screening criteria have been evolved for projects, based on magnitude and importance of environmental and social issues.

#### ***Environmental And Social Risk Management Framework***

24. PMDFC will carry out environmental and social risk management as a part of its project management strategy. PMDFC's risk management process will comprise the following steps - Risk Management Plan, Risk Appraisal, Risk Allocation and Risk Monitoring. A risk allocation framework for the key role players has been evolved by PMDFC.

### **ORGANIZATIONAL SUPPORT STRUCTURE**

25. In order to ensure that the policy obligations and associated procedures in the Environmental and Social Framework (ESF) are operationalized, PMDFC has an organizational support structure. Besides fixing responsibility on key actors in the process, the organizational support structure also outlines the capacity building that is essential for PMDFC staff and grantees.
26. PMDFC has thirteen professionals headed by the Managing Director. Thirteen professionals consist of three General Managers, three Managers (Two Engineering + One Environment), three Managers (ID), three Managers (F&A) & Manager (Procurement).

#### ***Responsibility Allocation Framework***

27. The Manager Environment will help the General Manager (Engineering) in project specific environmental and social assessment.
28. PMDFC will select Consultants from among national private sector firms who have the full range of expertise to address all the environmental and social concerns related to urban infrastructure projects. PMDFC will ensure sensitivity to environmental and social aspects of various projects among its project appraisal and management staff.

***Corporate Consultants (Environmental and Social Issues)***

29. The Consultants for environmental and social issues will essentially provide services to PMDFC as required, for the following:
- Advising PMDFC on environmental and social issues;
  - Environmental and social screening of projects wherever required by the PMDFC;
  - Reviewing EAR, SAR and other documents submitted by grantees for specific environmental and social project components;
  - Ensuring that appropriate mechanisms for stakeholder consultation and, where appropriate, participation, are devised and put in place;
  - Monitoring and evaluating projects;
30. The Consultants will also undertake the annual environmental and social audit of all PMDFC financed projects in association with responsible and informed stakeholders.

***Capacity Building***

31. PMDFC envisages capacity building of its own personnel and its grantees, who will include LGs / TMAs, in order to ensure that the ESF is effectively operationalized. PMDFC will create awareness among LG/TMAs about ES framework through training programs.

**SOCIAL IMPACT AND ENTITLEMENT FRAMEWORK FOR**  
**WORLD BANK FINANCED PROJECTS**

- PMDFC aims to finance investment proposals / sub-projects falling within the ambit of municipal services, and unless in conflict with the agreed procedures with the World Bank, the due process and procedures of GoP will be followed. However, for social impacts and entitlements the following framework will be adopted:

**1. Loss of Land:**

This impact affects families' access to space for agricultural and residential land or land for commercial, industrial or institutional purposes.

**1.1 Loss of agriculture land**

**1.1.1 Less than 20% of total landholding lost (marginal impact on household income and living standards).**

Loss of agricultural property is envisaged to impact persons with valid titles or customary or usufruct rights. The beneficiary will be the titleholder who will be entitled to choose between an alternative land of equivalent area or cash compensation at replacement value and cash compensation for land preparation;

In the case of tenants, sharecroppers or leaseholders the individual will be the beneficiary. They will be entitled to choose between equal leased land or a cash compensation for the acquired land at its replacement value;

In the case of squatters and encroachers, the family will be considered as a unit and they will be provided with a cash compensation for affected structure only. The squatters and encroachers will receive no compensation for land;

**1.1.2 More than 20% of total landholding lost, or where less than 20% lost but the remaining land becomes economically unviable (severe impact on household income and living standard).**

Loss of agricultural property is envisaged to impact persons with valid titles or customary or usufruct rights. The beneficiary will be the titleholder who will be entitled to choose between an alternative land of equivalent area with equivalent productive potential or cash compensation at replacement value and cash compensation for land preparation;

In the case of tenants, sharecroppers or leaseholders the individual will be the beneficiary. They will be entitled to reimbursement for un-expired lease;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a cash compensation for affected structures only. The squatters and encroachers will receive no compensation for land;

---

## **1.2 Loss of residential, commercial, industrial or institutional land**

### **1.2.1 Loss of residential, commercial, industrial or institutional land with remaining land sufficient to organize.**

Loss of residential, commercial, industrial or institutional land is envisaged to impact persons with valid titles, or customary and usufruct rights. The beneficiary unit is the family, and the entitlement will be cash compensation at replacement value of affected portion of the land;

In the case of tenants and leaseholders, the beneficiary will be the commercial, industrial or institutional unit. The beneficiary unit will be entitled to reimbursement for un-expired lease and a transitional allowance equivalent to six month's income;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a transitional allowance for two month's income. Vulnerable squatters will be entitled for cash compensation for affected portion of the structure at replacement value. The squatters and encroachers will receive no compensation for land;

### **1.2.2 Loss of residential, commercial, industrial or institutional land without sufficient remaining land (PAPs will be required to relocate).**

Loss of residential, commercial, industrial or institutional land is envisaged to impact persons with valid titles, or customary and usufruct rights. The beneficiary unit is the family, and the entitlement options offered to PAHs will include the provision of an equivalent area of land in an acceptable location or cash compensation at replacement value of lost property;

In the case of tenants and leaseholders, the beneficiary will be the commercial, industrial or institutional unit. The beneficiary unit will be entitled for an equivalent area of leased land, reimbursement for un-expired lease and a transitional allowance equivalent to six month's income;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a transitional allowance for two month's income. Vulnerable squatters will be entitled to cash compensation for affected portion of the structure at replacement value. The squatters and encroachers will receive no compensation for land;

## **2. Loss of Structure**

This category of impact includes families or units losing their houses or other commercial, industrial or institutional structures

### **2.1 Partial loss of structure and the remaining structure viable for continued use.**

Loss of structure will impact units with valid title, customary or usufruct rights. The beneficiary unit will be entitled to cash compensation for affected part of the structure at replacement value and allowance to cover repair cost of the remaining structure;

---

In the case of squatters and encroachers, the beneficiary unit will be entitled to cash compensation for affected part of the structure at replacement value and allowance to cover repair cost of the remaining structure;

**2.2 Entire loss of structure or where there is only partial impact, but the remaining structure is rendered unviable for continued use.**

Loss of structure will impact units with valid title, customary or usufruct rights. The beneficiary unit will be entitled to choose between a structure of equivalent standard in an acceptable location or cash compensation at replacement value;

In the case of squatters and encroachers beneficiary units will be entitled to cash compensation for the structure at replacement value;

**3. Loss of livelihood / trade / occupation**

This impact affects individuals to access to wage employment, loss of agricultural, commercial, industrial or institutional wage employment impacts specific individuals. The beneficiary individuals will be entitled to:

Employment in re-constructed enterprise or a package for re-employment or starting a business, and a transitional allowance equivalent to one year's wages in case of permanent closure;

In case of temporary closure compensation will be wages equivalent to the closure period;

**4. Loss of access to common resources and facilities**

In this category of impacts, the beneficiaries are communities (in the case of rural projects) or households (in the case of urban projects), and the losses include loss of rural common property resources or urban civic amenities.

In the case of rural common property resources, the beneficiary units will be the households or the community entitled to replacement of common property resources/amenities;

In the case of urban civic amenities, the beneficiary units will be the households or the community entitled to access to equivalent amenities or services;

**5. Loss of standing crops**

This category of impacts includes standing crops for those with valid titles, tenants or lessees and encroachers or squatters.

In all cases, the family will be the beneficiary. All categories will be entitled to cash compensation equivalent to market value of crops.

**6. Loss of standing trees**

This category of impacts includes loss of trees for those with valid titles, tenants or lessees and encroachers or squatters.

---

All the categories will be entitled to compensation in cash at market value on the basis of type, age and productive value.

**7. Loss of perennial plants**

This category of impacts includes loss of trees for those with valid titles, tenants or lessees and encroachers or squatters.

All the categories will be entitled to compensation in cash to total costs of initial investment and care until the time of land acquisition in case plants are not ready to harvest and compensation in cash at market value if or ready to harvest.

**8. Loss of public infrastructure**

The relevant agencies will be the beneficiaries under this category and will be compensated at replacement cost for the loss of public infrastructure.

**9. Losses during transition of displaced persons / establishments**

Losses in this category include those during shifting/transport, maintenance, and construction. In all categories, the family or respective commercial, industrial or institutional unit will be the beneficiary.

For shifting and transport, the beneficiary family or the unit will be entitled to provision of transport or cash equivalent for the transportation arrangement;

In the case of maintenance, the beneficiary family or the unit will be entitled to cash payment for three months;

In the case of construction, the beneficiary family or unit will be entitled to a lumpsum cash payment for materials and labor or provision of materials for construction of structures, over and above compensation for lost structure;

**10. Losses to host communities**

This category of impacts will be invoked, if the host community, particularly in the resettled area has reduced access to amenities and services. The beneficiary host community will be entitled to amenities/services if lost as a result of resettlement equivalent to those provided to the project affected persons.

**Temporary Losses**

A PAP whose land, structures or other fixed assets, crops, trees or income earning capacity and production levels are adversely affected during the temporary possession of land, will be entitled to compensation for:

- the temporary inconvenience caused by the project;
- affected structures or other fixed assets in cash, on the basis of replacement cost of material and labor without deduction for depreciation or salvageable materials for the damages during the period of temporary possession;

- 
- severely affected structures those made to shift temporarily from their present location. Entitlement will be in terms of rent allowance to cover the cost of alternate accommodation for the period of temporary displacement;
  - loss of crops and trees at market value and compensation for loss of net income from subsequent crops that cannot be planted for the duration of temporary possession;

No compensation for land if returned to the original user, but a monthly rent as per market value will be paid to PAPs. Extreme care will have to be taken by the contractor to avoid damaging properties, in case damages do occur. PAPs will be compensated immediately and damaged assets will be restored to its former condition.

If the disruption continues for more than one year, PAPs will have an option to:

- a- continue the temporary use arrangements, or;
- b- opt for permanent acquisition at replacement value and any other rehabilitation entitlements provided to other permanently affected PAPs under the same project;

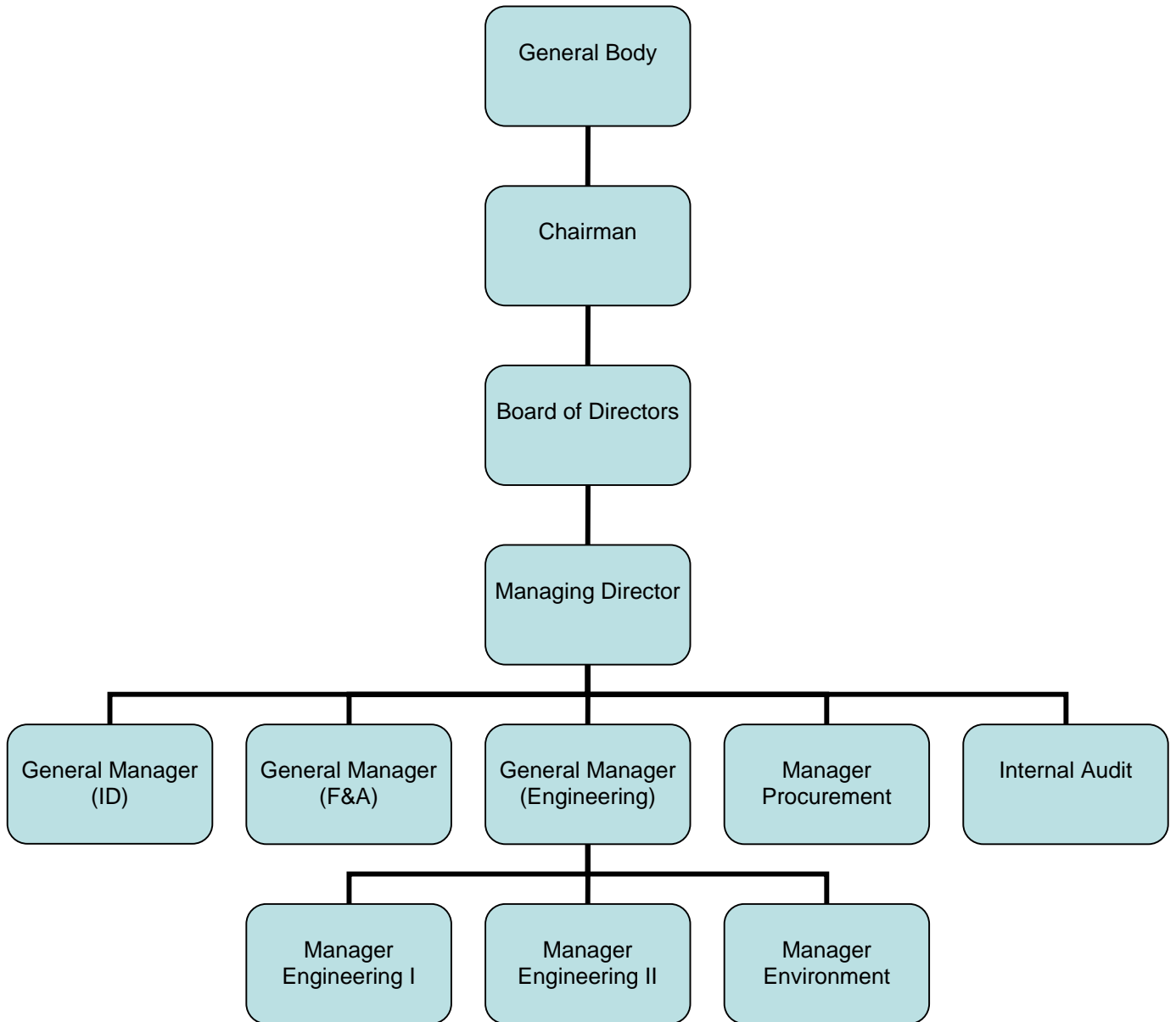
---

---

## PMDFC ORGANIZATIONAL CHART

---

---



**TERMS OF REFERENCE**

**FOR ENVIRONMENTAL AND SOCIAL CONSULTANTS**

**I. Background**

The Punjab Municipal Development Fund Company (PMDFC) has been set up to finance various urban infrastructure projects including water supply, roads, bridges, street lights, solid waste plants, storm water drains, bus stations, urban local bodies of the Punjab. The scope of operations for PMDFC includes urban infrastructure projects sponsored by Urban Local Bodies (LG / TMAs).

PMDFC believes that each of its projects will improve living standards and the environment of urban populations in and around its project locations. PMDFC will promote environmentally sound, socially acceptable and commercially viable urban infrastructure projects. PMDFC has reflected its environmental and social commitments through detailed operational procedures detailed in its Environmental and Social Framework (ESF). All projects financed by PMDFC should be in consonance with its ESF.

To facilitate the process laid down within its ESF, PMDFC intends to empanel corporate consultants to assist in developing, appraising and monitoring environmentally and socially sensitive projects.

**II. Role of Environmental and Social Consultants**

The Consultants on the PMDFC roster will essentially provide services to PMDFC as required, for the following tasks.

***i. Advising PMDFC on project specific environmental and social screening***

The corporate consultants will be required to advise PMDFC while screening projects for the environmental and social components.

***ii. Appraising Environmental Assessment Reports (EAR), Social Assessment Reports (SAR) and other documents submitted by Grantees***

The corporate consultants will appraise the EAR and SAR of environmentally and socially sensitive projects. They will review the identified environmental issues and assess the management measures and assess compliance with the measures suggested with ESF.

***iii. Monitoring and evaluating projects***

The consultants will assist in monitoring the progress of environmental and social aspects during construction, operation and maintenance of projects specified by PMDFC. They will evaluate Quarterly Progress Reports submitted by grantees and will audit projects specified by PMDFC.

**III. Eligibility**

---

Consultants on the roster can be either individuals or organizations. The consultants should have the experience and expertise to address environmental and social concerns related to urban infrastructure projects.

**IV. Details of Empanelment**

Consultants will be enlisted for a period of one year, during which they can be called upon to take up specific assignments.

**V. Expression of Interest**

The interested individual consultants/organizations should submit an application stating their interest to be listed on the PMDFC roster. Each application should include the following information:

- i. Name, address and facsimile number of the organization;
- ii. Names and short Curriculum Vitae of the principal officials to be deputed;
- iii. Ownership and organization structure of the firm;
- iv. Financial statements for the previous three years; and
- v. List of major assignments undertaken during the previous five years with special emphasis on the assignment being sought now;

The last date for receipt of applications for expression of interest is one month from the date of publication. After a review of the applications of expression of interest, a shortlist will be prepared based on:

- i. the firm's general experience in the field of the assignment; and
- ii. Qualifications and competence of the personnel proposed for the assignment;

Upto five consultants will be enlisted on the roster and invited to submit proposals for specific assignments as and when necessary.

---

# PMDFC'S POLICY STATEMENT

---

1.1 PMDFC aims to promote environmentally sound, socially acceptable and economically viable urban infrastructure projects. It believes that each of its projects will improve the living standards and the environment of populations in and around project locations.

1.2 PMDFC commits each project to:

## ***ENVIRONMENTAL SOUNDNESS BY***

- Conserving natural resources;
- Preserving bio-diversity and ecological equilibrium by reducing pressure on natural resources;
- Minimizing release of polluting wastes to amounts that do not harm the environment;
- Integrating waste management mechanisms within projects and maintaining environmental quality of project locations;

## ***SOCIAL RELEVANCE AND ACCEPTABILITY BY***

- Providing opportunities and avenues for informed stakeholder consultation, and, where appropriate, their participation in decision-making in project preparation, implementation and evaluation, in order to foster greater ownership and sustainability;
- Avoiding or minimizing resettlement due to land acquisition;
- Where involuntary resettlement is unavoidable, ensuring responsible resettlement and rehabilitation plans are prepared and implemented in a timely manner and that those to be resettled are aware of their entitlements and of the grievance mechanisms open to them should they seek redress;
- Paying particular attention to the protection of marginalized, disadvantaged, and vulnerable groups, including women and children, and promoting and providing, wherever possible, opportunities for such groups to take advantage of the investment;
- Minimizing health and safety hazards and providing opportunities for enhancing public and environmental health;

---

**Section - 1**

## **ENVIRONMENTAL AND SOCIAL ISSUES**

---

- 1.1 PMDFC recognizes the importance of addressing environmental and social issues in urban infrastructure investments, and seeks to promote stakeholder involvement in the pursuit of sustainable projects. It also recognizes that some disruption of livelihood is likely to occur. Where such disruption is inevitable PMDFC aims to ensure that livelihoods are restored in a fair and transparent manner, and to link mitigation measures with development opportunities.

### TYPICAL MUNICIPAL INFRASTRUCTURE PROJECTS

- 1.2 PMDFC would finance the following categories of urban infrastructure projects:
- Water Supply and Sewerage
  - Solid Waste Management
  - Transportation (Roads and Streets)
  - Storm-water Drains
  - Street Lighting
  - Other related municipal investments

### ENVIRONMENTAL AND SOCIAL ISSUES

- 1.3 It is expected that PMDFC financed projects will improve general living standards within urban localities, they may also have associated negative impacts on the local environment and people, and cannot realistically be accomplished unless associated investments in institutional capacity building are also made. Issues that could arise in various urban infrastructure projects are listed below.
- 1.4 **I. WATER SUPPLY AND SEWERAGE PROJECTS:** All proposed sub-projects for improving water supply and sanitation are likely to have significant social consequences of one sort or another. PMDFC recognizes the importance of developing opportunities for local involvement and participation in these schemes and the need to develop organizational capacity in both the implementing agencies and the community-based organizations to ensure appropriateness, viability and local ownership. Plans for ensuring effective operation and maintenance will be developed in cooperation with concerned and affected stakeholders.

- (a) **Water Supply:**

---

Water supply projects include augmentation of water lines, purchase of water tankers and construction of overhead tanks. Typical environmental issues that may arise are:

- safety of drinking water;
- change in hydrology and drainage patterns due to the construction;
- water-logging due to leakage during operation and maintenance;
- disturbance to other service lines due to construction activity;
- lowering / depletion of ground water table;

**(b) Stormwater Drainage:**

Stormwater projects will include construction of open/closed drains which may cause:

- changes in landuse, hydrology and drainage patterns due to the construction;
- water-logging, change in surface and groundwater quality due to leakage;
- disturbance to other service lines due to digging and construction activity;
- flooding of downstream areas, in case of incorrect disposal arrangements;

**(c) Sewerage/Sanitation:**

Sewerage projects will include construction of public conveniences and latrines; sewage treatment plants; and septic tanks. Environmental issues that can arise in these projects are:

- collection and disposal of waste water from the project;
- changes in hydrology and drainage patterns due to the construction;
- surface and groundwater contamination due to leakages;
- water-logging during operation and maintenance;

**II. SOLID WASTE MANAGEMENT:**

All proposed sub-projects for improving solid waste management are likely to have significant social consequences of one sort or another. PMDFC recognizes the importance of developing opportunities for local involvement and participation in these schemes and the need to develop organizational capacity in both the implementing agencies and the community-based organizations to ensure appropriateness, viability and local ownership. Plans for ensuring

---

effective operation and maintenance will be developed in cooperation with concerned and affected stakeholders.

Solid Waste Management projects include development of compost yards and purchase of vehicles for transport of garbage. These projects may cause:

- change in hydrology and drainage due to garbage dumping and composting;
- change in surface and ground water quality due to leaching;
- smell of decomposing garbage;
- public health nuisance at transfer during maintenance due to decomposing garbage;
- site selection problems;
- change in urban aesthetics;

### **III. TRANSPORTATION:**

All proposed sub-projects for improving roads, building terminals, etc. are likely to have significant social consequences of one sort or another, including land acquisition and resettlement. PMDFC recognizes the importance of developing opportunities for local involvement and participation in these schemes and the need to develop organizational capacity in both the implementing agencies and the community-based organizations to ensure appropriateness, viability and local ownership. Plans for ensuring effective operation and maintenance will be developed in cooperation with concerned and affected stakeholders. Where land acquisition and resettlement are involved, the policies of PMDFC will apply.

Transportation projects will include roads, street furniture, road structures and terminals.

#### **(a) Roads:**

Road projects include widening of roads, rehabilitation and improvement of road surfaces, laying of internal roads, construction of traffic islands and road dividers. These projects will normally be at a very small scale and may cause only minor environmental issues such as:

- change in hydrology and drainage patterns due to construction;
- increase in air pollution and noise levels due to traffic congestion;
- disturbance to other services during construction;
- destruction of roadside microhabitat/vegetation due to widening and construction;

#### **(b) Street furniture:**

Street furniture projects will include traffic signals, streetlights and signboards which may cause minor environmental issues such as:

- 
- disturbance to other services/lines;
  - increase in urban congestion;
  - increase in air pollution and noise levels due to congestion;
  - effect on urban aesthetics;

**(c) Road Structures:**

Road structure projects to be funded by PMDFC will include construction of under passes, road over-bridges, culverts and small bridges. Environmental impacts that may arise are:

- change in landuse, hydrology and drainage patterns due to construction;
- flooding to poor drainage facilities;
- disturbance to other services/lines;
- urban congestion;
- effect on urban aesthetics;

**(d) Bus Shelters/Terminals:**

PMDFC will fund construction of bus terminals, bus shelters, workshops & truck terminals which may cause minor environmental issues such as:

- increase in air pollution and noise levels;
- land contamination due to oil and grease;
- destruction of vegetation due to construction;
- wastewater due to bus cleaning;

**V. NON COMMERCIAL/COMMUNITY AMENITIES:**

Construction of parks and playgrounds (one acre units). Environmental impacts will be negligible and those that may occur are:

- change in landuse;
- solid and hazardous waste disposal;
- public health and safety;
- land acquisition and site identification;

---

## 1.5 **CATEGORIZATION OF URBAN INFRASTRUCTURE PROJECTS**

### **I. ENVIRONMENTAL CATEGORIES OF PROJECTS**

Based on the effects, PMDFC has categorized urban infrastructure projects into three categories *viz.* E-1, E-2 and E-3.

- a. E-1 projects are those wherein PMDFC foresees major environmental impacts, thus, necessitating Environmental Assessment Reports (EARs);
- b. E-2 projects are expected to have only moderate environmental issues. PMDFC has laid down generic design guidelines to mitigate these issues;
- c. No environmental issues are expected in E-3 projects and hence, these can be termed 'environmentally benign';

Table 1.1 illustrates categorization of urban infrastructure projects based on their environmental sensitivity. PMDFC will review this categorization annually depending on experience gained from projects funded.

### **II. SOCIAL CATEGORIZATION OF PROJECTS:**

Based on the number of households that may be affected by the project, i.e. PAHs and magnitude of impacts, projects have been categorized as either S-1, S-2 or S-3 projects.

- a. S-1 projects are those that will involve the resettlement of more than 40 households, and are expected to have significant negative social consequences;
- b. S-2 projects are those which will involve the resettlement of less than 40 households and are expected to have significant social consequences affecting local inhabitants;
- c. S-3 projects are not expected to have any significant adverse social impacts;

Table 1.2 provides PMDFC's categorization of urban infrastructure projects based on their social sensitivity.

Note:- Projects falling in E-1 and S-1 categories will generally be on negative list in the Phase-I, However, in the year-I, one or two sub-projects can be entertained for piloting.

Table 1.1  
**PROFILE OF PMDFC PROJECTS WITH TENTATIVE ENVIRONMENTAL  
 CATEGORIZATION**

Project	Environmental Category
<b>I. Water Supply &amp; Sewerage</b>	
<b>A. Water Supply</b>	
1. Water supply lines & taps	E-3
2. Water tankers	E-3
3. Overhead tanks	E-3
4. Water treatment plants	E-1
<b>B. Storm-water Drainage</b>	
1. Open drains	E-3
2. Covered/ Underground drains	E-2
<b>C. Sewerage/Sanitation</b>	
1. Public conveniences	E-1
2. Pay & use latrines	E-2
3. Sewage treatment Plants	E-1
4. Septic tanks	E-2
5. Sewage Farms	E-1
<b>II. Solid Waste Management</b>	
<b>A. Compost Yard/land fills</b>	E-2
<b>B. Vehicles</b>	E-3
<b>III. Transportation</b>	
<b>A. Roads</b>	
1. Widening of roads	E-3
2. Improvement of surface	E-3
3. New roads	E-2
4. Traffic islands	E-3
5. Road divider	E-3
6. Foot paths	E-3
<b>B Street Furniture</b>	
1. Traffic signals	E-3
2. Street lights	E-3
3. Sign boards	E-3

Project	Environmental Category
<b>C. Road Structures</b>	
1. Under passes	
- Pedestrian	E-2
- Cycle	E-2
- Fast moving	E-2
2. ROBs*	E-2
3. Culverts	E-2
4. Small Bridges	E-2
<b>D. Terminals / Shelter</b>	
1. Bus Shelters	E-3
2. Bus Terminals/Stands	E-3
3. Truck Terminals	E-3
4. Workshops	E-2
5. Car Parking Complex	E-3
<b>IV. Non Comm./Community Amenities</b>	
<b>A. Parks</b>	E-3
<b>B. Playgrounds</b>	E-3

ROBs\* = Road Over Bridges

**Note:** For types of projects that have not been environmentally categorized, they will initially be considered as category E-1, unless otherwise specified by the M.D. of PMDFC.

**Table 1.2**  
**CATEGORIZATION OF PROJECTS BASED ON SOCIAL SENSITIVITY**

Category	Description		Type of project
	Level of issues	Management measures	
<b>S-1</b>	Serious negative social impact expected	Resettlement and Rehabilitation Plan will be required, in addition to a Social Assessment Report	> 40 households involved
<b>S-2</b>	Moderate negative social impact expected	Social Management Plan (SMP) in addition to Social Assessment Report	1-40 households involved
<b>S-3</b>	No negative social impacts expected	Social Assessment Report	No involuntary resettlement PAPs involved

---

## **Section - 2**

# **NATIONAL POLICY AND REGULATORY FRAMEWORK**

---

- 2.1 While extending grants to Tehsil Municipal Administrations (TMAs), for urban infrastructure projects, the PMDFC will ensure compliance with mandatory environmental and social laws and regulations that apply to specific projects. It will also seek to ensure that the interests of disadvantaged groups and communities are given appropriate consideration in the development of more participatory, transparent and accountable public institutions charged with the provision of public goods and services.

### **ENVIRONMENT REGULATORY FRAMEWORK – URBAN INFRASTRUCTURE PROJECTS**

#### **The 1997 Pakistan Environmental Protection Act**

- 2.2 The primary elements of the legal framework for environmental issues in Pakistan are provided by the Pakistan Environmental Protection Act of 1997 (the successor to the Pakistan Environmental Protection Ordinance of 1983). The National Environmental Quality Standards (NEQS) of 1993 and various other federal and provincial environmental legislations are also of note. It can be noted that the NEQS for industrial and municipal effluent and air emissions and smoke and noise standards for motor vehicles were established for Pakistan in August 1993. New industries were required to comply with the standards by July 1994; existing industries were required to comply by July 1996. The standards for industrial gaseous emissions define allowable rates for 16 pollutants and apply uniformly to emissions from all types of industrial sources. The standards for liquid municipal and industrial effluents identify 32 characteristics of effluents that affect environmental quality. The standards are implemented by the Pakistan EPA. Its approach is to establish effluent standards or guidelines and to set a maximum allowable concentration for various pollutants at the point of wastewater discharge. The limits or rates apply uniformly to the release of pollutants from all types of wastewater discharge from industrial and municipal sources.
- 2.3 It should also be noted that under Pakistan's Constitution the environmental and ecological issues are within the concurrent jurisdiction of both the Federal and Provincial governments. Both levels of government have executive and legislative powers in these areas and both have agencies for which environmental protection and resource conservation are their primary functions. Both also have line agencies that have sectoral interest as a primary concern and only a secondary interest in resource conservation. In principle, the Federal Government has adopted policy and coordination as its domain leaving the implementation to the Provinces. Relevant aspects of the Pakistan Environmental Protection Act of 1997 include:

- 
- Establishment of a two-stage environmental screening system consisting of an initial environmental examination (IEE), and, for projects likely to cause an adverse environmental effect, a comprehensive environmental impact assessment (EIA)<sup>2</sup>;
  - Provisions for enforcement by the Pakistan EPA and the Provincial EPAs;
  - Establishment of Environmental Tribunals with exclusive jurisdiction to try serious offenders and Environmental Magistrates for minor ones;
- 2.4 Generally speaking the IEE process within the Pakistan system equates with the screening process in World Bank terminology. The IEE process determines whether a project can be considered sufficiently documented to obviate the need for additional documentation. The Bank's screening process determines a project's Category A, B or C classification. The IEE document for which that level of documentation is considered sufficient generally equates to a Category B; and EIA equates to a Category A project within the World Bank/IFC system.
- 2.5 Mandatory environmental laws applicable to PMDFC financed projects are both pollution and natural resource related. Table 2.1 gives details of Environmental Legislation in Pakistan.

---

<sup>2</sup> According to Pakistan Environment Protection Agency (PEPA) for category 'A' projects (projects having significant environmental effect) EIA is required and for category 'B' projects (projects having moderate environmental issue) only IEE is required. So treatment of E-1 and E-2 projects under ESR is consistent with treatment of 'A' and 'B' projects by PEPA.

**Table 2.1  
Environmental Legislation in Pakistan**

<b>Problem</b>	<b>Legislation</b>	<b>Enforcing Agency</b>	<b>Offences Covered</b>
Water pollution	Pakistan Penal code, 1860 Factories Act, 1934 Karachi Joint Water Board Ordinance, 1949, and Karachi Joint Water Board Rules, 1956 Sindh Fisheries Ordinance	Provincial government Ministry of Industries  Karachi Joint Water Board Authority  Sindh Fisheries Provincial Department	Fouling a public spring or reservoir Disposing of untreated industrial waste in water bodies.  Contaminating the water supply of water works or water tanks.  Discharging untreated sewage and industrial waste in water.
Air pollution	Pakistan Penal Code, 1860  The Motor Vehicle Ordinance of 1965, and Motor Vehicle Rules, 1969	Provincial governments  Traffic police	Vitiating the atmosphere in any way so as to make it noxious to human health.  Emissions of smoke, grits, sparks, ashes, cinders, oil, or other noxious substances from vehicle.
Noise pollution	The Motor Vehicle Ordinance of 1965, and Motor Vehicle Rules, 1969  West Pakistan Regulation and control of Lead Amplifiers Ordinance, 1965	Traffic police  Local administration	Driving a vehicle without a silencer, using horn with shrill alarming sounds  Use of loudspeakers near courts, hospitals, offices, schools, or to incite sectarian violence or to cause annoyance
Toxic or hazardous waste pollution  Solid waste pollution	Pakistan penal Code, 1860  Pakistan Nuclear Safety and Radiation Protection Ordinance, 1984  No relevant legislation	Provincial government	Negligent conduct with respect to poisonous substances  Acquisition, manufacture, construction, operation of nuclear installation; dealing in nuclear material unless under license, discharge of nuclear waste; trading in radiation-contaminated food; entry of nuclear powered vehicles
Marine pollution	The Ports Act, 1908  Pakistan Territorial Waters and Maritime Zones Act, 1976	The Port Qasim Authority  Ministry of Communications and Port Authority	Discharge of ballast or garbage into a port  Pollution of Port Qasim Area
Pollution of fisheries	The West Pakistan Fisheries Ordinance, 1961  The Balochistan Sea Fisheries Ordinance, 1971	Provincial Fisheries Department  Balochistan Fisheries Department	Destruction of fish; capture of certain species of fish below a certain size; harvesting of certain species in specified periods; harvesting in fish sanctuaries operating unlicensed fishing craft or fishing equipment in Balochistan; destruction of fish or

Problem	Legislation	Enforcing Agency	Offences Covered
			plankton; fishing in specified areas
Pesticides and fertilizers	No relevant legislation pertaining to fertilizer use  Agricultural Pesticides Ordinance, 1971  Agricultural Pesticides Rules, 1973	Ministry of Food and Agriculture  Pesticide laboratories	Marketing unregistered pesticides
Forest conservation	The Forest Act, 1927  West Pakistan Firewood and Charcoal Act, 1975  The Cutting of Trees Act, 1975  The NWFP Hazara Forest Act, 1936  The NWFP Ordinance, 1980	Ministry of Food and Agriculture, Forest Division  NWFP Forest Department  NWFP Forest Department	Clearing of forests for cultivation, grazing, hunting, removing forest produce, quarrying, felling and lopping and tapping of trees, branches etc. in reserved or protected areas  Defacing trees and timber, and altering forest boundaries  Burning of firewood and charcoal in factories, brick kilns and lime kilns Cutting and felling of trees in the five mile belt along the external frontier of Pakistan without written approval of local formation commander  Similar to Forest Act, 1927  Extraction of timber and forest produce without government approval
Wildlife conservation and national parks	The Sindh Wildlife Protection ordinance, 1972  Punjab Wildlife Protection Act, 1974  Balochistan Wildlife Protection Act, 1974  NWFP Wildlife Protection Act, 1974, and Rules, 1977	Sindh Forest Department  Punjab Forest Department  Balochistan Forest Department	Unlicensed hunting of wild animals, hunting of protected animals, possession of wild animals or meat of protected animals, hunting in sanctuaries or national parks; polluting water of park or setting fire to sanctuary; introducing exotic species in parks  As above  As above  As above plus capture of hawk and falcon
Preservation of cultural heritage	The Antiquities Act, 1975  The Punjab Special Premises Preservation Ordinance, 1985	Punjab Government  Punjab Government	Destruction, damage, or defacement of antiquities

## 2.6 SOCIAL IMPLICATION

### **REHABILITATION OF PROJECT AFFECTED HOUSEHOLDS**

Interpretations of entitlements to compensation and to benefits which will apply to PMDFC funded projects:

- 
- **Mitigating adverse impacts:** Before taking possession of acquired lands and structures and before start of civil works construction, the compensation award will be paid. Any additional assistance will be awarded within three months from the date of award of compensation. The “right to expropriate carries with it the responsibility to ensure that those affected do not bear an unfair share of the costs of a project that will bring benefit to others. In the simplest terms, this responsibility should be to ensure that the standard of living of all affected persons is restored to the level enjoyed before the commencement of the project, and, if possible, improved. To the extent that a government is successful in restoring those living standards for all affected, the adverse impacts will have been minimized and possibly obviated.”
  - **Lack of ownership does not imply lack of compensation rights:** The presence of squatters poses particular challenges. National legislation, which determines the categories of land ownership, often recognizes only formal, registered title. In Pakistan there are various forms of informal or unregistered title, including usufruct rights (permanent or temporary use), rights of access to commons, and others. The lack of legal tenure to land or assets will not be regarded as a criterion for withholding financial compensation or assistance in relocation”.
  - **The preparation of a Resettlement & Rehabilitation Action Plan** will require that an early cut-off date, preferably at the time of the baseline survey, is established. The numbers and characteristics of affected households will need to be defined and the type of persons affected (e.g., owners, tenants, employees, squatters) classified in order to determine relative entitlements. It will also require a classification of the type of property impact (e.g., farm size reduced, house or shop acquired, access limitation, etc.). It will also require an analysis of the type of personal impact (e.g., reduced livelihood, lost house). Residential impacts will require an inventory of residences affected and the extent of property acquisition. Impacts on business will require an estimate of temporary financial loss and/or the cost of relocation and re-establishment. Economic losses for farms should include the value of crops and loss of earnings.
  - **Loss of Roadside Community Business and Social Activities:** Conflicts and safety concerns may arise when road improvement plans call for widening or relocation of roadway and reducing encroachments and access. The assessment of impacts needs to recognize that these activities may play an important part in the social and economic life of the community. Economic impacts could include loss of businesses and customers, induced need for capital investments and high opportunity cost losses. Such potentially negative impacts will be identified in the Resettlement and Rehabilitation Action Plan, or in the Social Assessment Report and mitigation measures proposed.
  - **Impacts due to Community Bypasses.** Road realignments to bypass problem areas will have the positive benefit of reducing the immediate impacts of the traffic on the community and local commercial activities may flourish as a result. On the negative side, however, some members of the communities may suffer a loss of business from the diversion of traffic. Migration to the new route may occur, potentially changing land use patterns. Such potentially negative impacts

---

will be identified in the Resettlement and Rehabilitation Action Plan or the Social Assessment Report and mitigation measures proposed.

- **Impacts on Current Modes of Transport:** Measures which impede road crossings, control bus stops, restrict parking of informal public transport vehicles may reduce the attractiveness of current transport modes. Increases in travel distances for short trips, especially those by non-motorized transport, should be incorporated in the Social Assessment Report, where warranted.

## 2.7 **LAND ACQUISITION AND RESETTLEMENT CONTEXT:**

The sub-project may require government procurement of privately owned land and the displacement of land users, either with or without valid title. Although it may be possible to negotiate a price for voluntary sales of properties in some instances, expropriation (i.e., compulsory acquisition) is often necessary. Expropriation, is likely to produce economic loss and social and psychological disruption for the affected individuals and their families, and may include the loss of business income, on either a temporary or permanent basis. An analysis of these losses must be included in the RAP and/or the Social Assessment Report and appropriate measures devised under the terms of the entitlement framework to ensure that livelihoods are restored.

## 2.8 **WORLD BANK OD 4.01 REQUIREMENTS**

World Bank's Operational Directive 4.01 outlines Bank policy and procedures for environmental assessment (EA) of Bank investment lending operations and related types of environmental analysis. Small scale urban infrastructure and services projects envisaged to be financed by PMDFC are not clearly categorized in OD 4.01. They may often be classified as falling at the lowest level of Category B i.e. projects with less significant negative impacts. At such minimal scales, environmental enhancement and mitigation measures can be easily designed. Screening of sub-projects at the outset will identify environment and social issues if any, suggest appropriate mitigation measures required, and also decide whether any detailed environment and social studies resulting in the necessity to produce an environmental and/or social assessment report are required .

## 2.9 **COMPETENT REGULATORY AGENCIES:**

### (a) **Municipal Bodies**

For most laws applicable to PMDFC projects, municipal authorities (who will be recipients of grants) will have to certify that they are abiding by the law they are entrusted to protect and administer.

### (b) **Pollution Control Boards**

In certain cases like "consent to discharge" under pollution laws, the Environment Protection Department (EPD) and Department of Forests will be involved.

### (c) **Federal Ministry of Environment, Local Government & Rural Development (MELG&RD)**

Only in a few cases such as projects in reserved forests or protected areas the MELG&RD will be involved.

---

(d) **World Bank**

The grantee will be responsible for ensuring compliance with the policies and procedures agreed between PMDFC and the World Bank. Periodic monitoring by World Bank missions will provide additional checks.

**CURRENT REGULATORY FRAMEWORK FOR LAND ACQUISITION**

**2.10 LAND ACQUISITION PROCESS:**

The following describes the land acquisition process required by the “Land Acquisition Act of 1894.

**1. Preliminary Notification, Under Section 4.** This represents the starting point of the acquisition process. The acquiring department must submit an application to the Land Acquisition Collector for the acquisition of land. This application shall;

- a) Justify the genuineness of the public purpose involved;
- b) indicate the minimum requirement of area suitable for the purpose, clearly stating the estate, village, or locality;

The notification’s publication date under Section 4 is very important because it fixes the date for determining the market value of the land under acquisition.

**2. Acquisition by Private Negotiation.** Following the publication of notification under Section 4, there are two modes of acquisition:

- a) Private negotiation;
- b) Compulsory acquisition under the Act;

Land may be acquired by private negotiation, but as required under paragraph 32 of standing order No. 28 (Land Acquisition), preliminary notification under Section 4 is essential. Authorization from the head of the department acquiring land must be obtained at the opening and conclusion of negotiations.

A complete abstract of title must be obtained from the vendor, extending over the full period of legal limitations. It is of prime importance to examine the original documents. After the agreement is mutually settled, the area under acquisition is transferred in favor of the acquiring department through a registered deed on payment of compensation to the vendor/land owner.

In the case of acquisition by private negotiation, the land owner has no right of appeal against the acquisition. Extra charges, compulsory acquisition charges of 15% of the total value (Section 23 of Land Acquisition Act) and 8% compound interest (Section 34 of Land Acquisition Act), are not paid by the acquiring department. Nevertheless, the department is required to pay a registration fee and required local taxes, prior to registration of the deed. The stamp duty is exempted. It must be kept in mind that the level of compensation agreed to must not exceed the level of compensation which would result from proceeding under the compulsory provision of the Act.

- 
- 3. Compulsory Acquisition Under the Act.** Under normal acquisition procedures, the following proceedings are taken after the publication of notification under Section 4;
- a) *Public Notice.* Public notice will be given by the Collector at convenient places in the locality. Notice need not be served on an individual as notification under this Section is only an introductory measure.
  - b) *Survey of Area.* A survey of the area will be undertaken to assess whether the land is suitable for the purpose for which it is sought to be acquired.
  - c) *List of Damages.* Prepare a list of damages i.e. trees, crops, structures, etc.
  - d) *Data Estimated Cost.* Prior to issuance of notification under Section 5 and hearing of objections under Section 5A(1), the collector prepares data for estimating costs (as required vide rule 10 of the land acquisition rules 1984) on the basis of the prices prevailing during a 12 month period preceding the date of publication of the Section 4. (The date of publication of the Section 4 notification establishes the end date for the 12 month period.) This enables the acquiring department to deposit the requisite amount in the “Government Treasury.” (Under the rules, a deposit of the estimated cost is necessary before notification under Section 5 or Section 17(4) can be made.)
- 4. Issue Notification of Intent to Acquire Under Section 5.** The Commissioner issues notification under Section 5 to the effect that a particular land in question is needed for a public purpose. The notification gives the description of area. Khasra Numbers, Village, Tehsil, and District, approximate area required, and the place where the plan of the scheme may be inspected. The notification gives comprehensive direction to ensure that all concerned have a clear notice of the exact property intended to be acquired.
- 5. Hearing of Objections under Section 5A.** Any person interested in this land which has been notified under Section 4(1) may object to the acquisition of land within 30 days in writing to the District Collector.
- 6. Public Declaration Under Section 6.** This is a declaration that a specific plot of land is required for a public purpose. When the Provincial Government (District Collector and Commissioner of the Division) is satisfied, after considering all the objections and report made under Section 5A, a Declaration shall be made that said land is to be acquired for a public purpose under the signature of a duly authorized officer. The Declaration shall be made within six months following the publication of notification under section 5. The Declaration by the Provincial Government under Section 6(1) of the Land Acquisition Act that certain land is required for a certain public purpose is final.
- 7. Collector to Take Order for Acquisition Under Section 7.** Under the provision of this section, the Collector is given jurisdiction to acquire the land. After the Declaration under Section 6 is published, the Commissioner issues an order to the Collector under the said Section to proceed with the acquisition of land described in the Declaration. The Collector must not commence action on the

---

publication of the Declaration alone. He must obtain a specific order from the Commissioner directing him to proceed.

- 8. Survey of the Land Under Section 8.** The steps laid down in this Section are necessary to prevent the acquisition of land which may be quite different from that given in the Declaration. The Collector cannot acquire or give possession of any land beyond the boundaries given in the Declaration. Any variations in the land have to be corrected through amendments duly notified under section 6. If the Design Engineer has not previously set right-of-way monuments, they must be set at this time.
- 9. Notice to Persons Interested Under Section 9.** This Section prescribes the need of the Collector to ascertain who are the persons interested in the land, to give them an opportunity to put in claims for compensation for their respective interest, and to raise any objections. The Collector shall also serve notice (under Section 9(5) on the acquiring department to detail their representative to participate in this enquiry. Such notice must not be less than 15 days prior to the date fixed for the inquiry.
- 10. Power to Require and Enforce Making of Statement Under Section 10.** This Section enables the Land Acquisition Collector (LAC) to require any person to make a statement containing the name of persons possessing any interest in the land or any part thereof as co-sharer, mortgagee, tenant or otherwise and the nature of such interest in the land under acquisition. Such persons are legally bound to do so within the meaning of Section 175 and 176 of the Pakistan Penal Code.
- 11. Award under Section 11.** This Section deals with the final stage of the Land Acquisition Collector's proceedings. He will hold an enquiry and make an award on the appointed day. He is to hear the parties, investigate their claims, consider their objections and take statements in an informal way for the purpose of ascertaining the value of the land and the nature of interest involved. The Collector must make his award whether all the claimants have appeared or not. The award must be drawn up under three headings:

  - a) Correct area of the land;
  - b) Amount of compensation;
  - c) Appointment of the compensation amongst the interested persons;
- 12. Power to Take Possession Under Section 16.** When the LAC has made an award, he may take possession of the land. It will thereupon vest absolutely in the Government, free from all encumbrances. The Government becomes owner only on taking possession of the property and not on passing of the award. The taking of possession has not been made conditional upon payment of compensation. Any objection on the compensation or to the measurement, etc. can be challenged in the manner prescribed in the Act.
- 13. Urgent Acquisition Under Section 17.** This Section is resorted to in cases of urgency, when immediate possession of land is required by the acquiring department. If the competent authority considers it expedient to take possession

---

of the land at any time, and so directs the Collector, though no such award has been made, he may on the expiration of 15 days from the date of publication of notification under this Section take possession of land needed for public purposes. Such land shall thereupon vest absolutely in the government, free from all encumbrances.

The Government Authority cannot issue direction to the Collector under this Section unless the acquiring department has first deposited the estimated cost of acquisition of such land as determined by the Collector of the District (per rule 11 of Land Acquisition Rules, 1983). In cases of urgency, the Government must be satisfied that there is such urgency as is contemplated by this Section. If the Government is so satisfied it is entitled to pass an order under Section 17(4) suspending the application of Section 5A. Section 17 will not be used under PMDFC financed projects. Before taking, possession of acquired lands and structures and before start of civil works construction, the compensation will be paid. Any additional assistance will be awarded within three months from the date of award of compensation.

## 2.11 **Relationship between the ESF and the Land Acquisition Act 1894.**

The Punjab Local Government Ordinance (PLGO) 2001 very clearly lays down the mode and procedure for acquiring immovable property. Section 125 of the Ordinance reads as under:

“Whenever any local government considers it necessary or expedient it may acquire or purchase any immovable property for public purposes:

Provided that in case of purchase of property, the agreement of purchase shall be in writing:

Provided further that until the development authorities are merged with any other department or authority of a local government, the development authorities decentralized to District Government, Tehsil Municipal Administration and Town Municipal Administration may acquire land for development purposes and may sell or dispose of thereafter in accordance with the existing laws and the rules made there under.”

In elaboration of these provisions, the Punjab Local Government (Property) Rules 2003, Rule 15 reads as under:

“(1) Whenever any land or other immovable property is required by a Local Government for any purpose mentioned in the Ordinance, the concerned District Nazim, Tehsil / Town Nazim and Union Nazim, as the case may be, take such steps as may be necessary to acquire the same by an agreement with the owner on behalf of the council after inviting quotations through the press and subject to other conditions as provided in the Punjab Local Government (Contract) Rules, 2003.

(2) If any land or other immovable property cannot be acquired by an agreement under sub-rule (1) the Local Government may move for acquisition of such property under relevant law.”

---

In presence of these legal provisions, it is very unlikely that for implementation of development sub-projects under PMSIP, the TMAs would have to resort to the land acquisition proceedings. In case, it becomes well-nigh impossible to acquire land through the ibid provisions of PLGO and the rules framed there-under, the relevant legal procedures as laid down in the LA 1894 can be invoked ensuring that PAPs are compensated under the ESF.

**PMDFC will very clearly advise TMAs, to purchase property as per PLGO and refrain from the acquisition proceedings.** The involuntary acquisition discussed in this framework will be used only when market purchase is not possible.

In case the TMAs have to go for involuntary land acquisition, all acquisition of land would be under Land Acquisition Act 1894, which provides compensation for properties to be acquired and support to be extended for meeting replacement value of the property.

The Land Acquisition Act (1894 with subsequent amendments) governs land acquisition for development public purposes by the Government of Pakistan. As stated earlier, Section 4 allows preliminary notification for survey. Section 6 provides for declaration of intended acquisition. Section 8 deals with detailed survey and planning. Sections 11 to 15 and 23 to 28 provide for inquiry by the Land Collector into claims and values, and the setting of compensation levels, primarily through interpretation of market value. Sections 16 and 17 provide for compulsory acquisition, while Section 18 allows for redress of grievance at the District level Civil Courts, and above, if necessary.

Compensation rates are set through an officially determined registered market value, keeping in view market value of similar land in similar situation. Application and interpretation of the Act is through the Provincial Land Revenue Department and the Land Acquisition Collector.

All legal provisions of LA 1894 will be applicable, which will be followed while acquiring the land. Other policy provision mentioned in ESF for land acquisition will also be followed, such as:

- Section 17 will not be used under PMDFC financed projects. Before taking possession of acquired lands and structures and before start of civil works construction, the compensation will be paid. Any additional assistance will be awarded within three months from the date of award of compensation;
- In terms of Section 28 of LA 1894, on excess compensation interest @ 8% per annum will be payable;
- The TMA should determine the possible replacement cost of land and asset to be acquired. For this purpose, land market surveys will be done by TMA in association with representatives of PAPs and a professional assessor. While determining the replacement cost of the land, TMA will take recourse to different systems of assessment. The replacement cost to be fixed by the project authority shall be the amount, which shall be the highest among the three amounts, arrived at by the three alternative methods (Value as per land records, net present value of the income from the property, comparable value of the similar properties). In

---

case replacement cost is higher than the market value determined by competent authority the difference shall be paid in the form of assistance;

- The value of the houses, buildings and other immovable properties of the PAPs shall be determined for the purpose of payment of compensation at the market rates approved by the Finance Department, available at its website, which are subject to frequent revisions due to market trends. These will be confirmed by local private real estate dealers on behalf of the TMA;
- Compensation for properties belonging to the community or for common places of worship, which are acquired for the project, shall be provided to enable construction of the same at the new place through the local self-governing bodies concerned in accordance with the modalities determined by such bodies to ensure correct use of the compensation amount;
- Compensation for trees will also be based on their market value in case of timber bearing trees and replacement cost in case of fruit bearing trees as per the rates decided by the competent authority in consultation with Departments of Agriculture, Forest, Horticulture, etc. as the case may be;
- Compensation shall be paid and efforts will be made to complete the R&R of PAPs / PAHs before taking possession of the land/properties. The PAPs shall hand over the land and properties acquired to the Government free from all encumbrances such as mortgage, debt etc. pertaining to the lands and properties acquired. However, in case of any loans on such acquired lands and properties given to the PAP by any Govt. agency, remains unadjusted as per the information furnished by the PAPs or by the loan agency then such amounts shall be deducted out of total compensation including R&R assistance;

## **2.12 WORLD BANK OP 4.12 ON INVOLUNTARY RESETTLEMENT:**

This directive describes Bank policy and procedures on involuntary resettlement as well as the conditions that grantees are expected to meet in operations involving resettlement. The objective of the Bank's policy is to ensure that populations displaced by a project also benefit from the project and that standards of living are improved, or at a minimum, restored. PMDFC would ensure that Bank policies are followed.

## **2.13 PMDFC SOCIAL ENTITLEMENT FRAMEWORK**

In contrast to the environmental legislation which exists in Pakistan and provides a reference for the environment section of the ESR, no similar framework or legislation exists for general social impacts of urban infrastructure projects - Resettlement and Rehabilitation (R&R) in particular. In order to provide a framework for the R&R process in projects where World Bank financing is involved, a detailed Social Entitlement Framework for World Bank financed projects is provided in Table 2.2. Eight basic categories of issues/impacts are foreseen under this entitlement framework:

- a) Loss of land;
- b) Loss of structure;

- 
- c) Loss of source of livelihood;
  - d) Loss of access to common resources and facilities;
  - e) Loss of standing crops, trees and perennial trees;
  - f) Loss of public infrastructure;
  - g) Losses during transition of displaced persons / establishments;
  - h) Losses to host communities;

2.14 For purposes of this framework, the following definitions will be applicable:

- (a) **Project Affected Households** are those households which are :
  - physically displaced/economically adversely affected as a result of physical re-location;
  - economically affected but not physically re-located;
  - losing access to community amenities and resources;
- (b) **Household (HH):** A household is a group of persons who commonly live together and would take their meals from a common kitchen.
- (c) **Replacement Value:** means and include an amount needed to replace an asset at current value including depreciation and overhead expenses of the transaction as follows:
  - Agricultural land based on its productive potential;
  - Residential land based on market value;
  - Houses and other structures, including boundary walls, built up area, other structures and fixtures thereto, crops, trees and other commodities based on current market value, sufficient to build a house or any structure, without any deduction on account of depreciation or salvageable materials and labor cost or overheads for any transaction whatsoever connected therewith;
  - Trees, crops and plants on current market value; and;
  - Other productive assets like shops and commercial assets based on market value of similar location attribute i.e. premium etc;
- (d) **Cut-off date:** For landowners, cut-off date is the Section 4 notification's publication date. For those without title it shall conform to the date of commencement of baseline survey. Cut-off date is used to determine the eligibility of PAHs.
- (e) **Land:** The term land refers to land acquired under the Land Acquisition Act or through private transactions. All land provided under the entitlement framework should be provided with secure tenure.
- (f) **Squatters:** are persons who occupy / possess an asset without legal title.
- (g) **Encroachers:** are those owners of land adjacent to public property, who have illegally extended their land holdings or structures into the public land.
- (h) PAHs will be given choices regarding the entitlements provided. If land-for-land is chosen by the PAH, the land should be of equivalent value and/or productivity. Basic units or minimum economic holding will follow the norms of the national, state or local Governments sufficient to restore or improve the standard of living.

---

## 2.15 **GRIEVANCE REDRESS MECHANISM**

Despite best efforts to arrive at fair rewards in project involving involuntary resettlement, there shall always be a few unsatisfied citizens. The TMAs will make efforts at project level to firstly resolve through negotiations. The negotiations will preferably be arranged at project site among the stakeholders APs and concerned project officer for the resolution of the grievance in minimum possible time.

**Grievance Resolution Committee:** In case dispute is not resolved at local level, the matter through submission of a formal reference from TMA will be placed before a Grievance Resolution Committee / Musalihat Anjuman.

In each TMA, a Grievance Resolution Committee (GRC) shall be constituted consisting of a panel of three Members, one of whom shall be its Convener, to be selected by the Insaf Committee(s) of the Union Council(s), from amongst the residents of the Union Council(s) who are publicly known to be persons of integrity, good judgment and command respect:

Provided that the Union Nazim, Naib Union Nazim or the members of the Union Council may not be appointed as Members.

Any casual vacancy in the members shall be filled in by the Insaf Committee, as soon as practicable.

Where in the opinion of the Insaf Committee, a Member is accused of consistent partiality and malpractices in performance of his functions, the Insaf Committee may, subject to notice to show cause, remove such Member and select another Member in his place.

The Convener of the committee shall:

- Convene meetings of the committee as necessary at such place or places in the TMA as he considers appropriate; and
- Conduct the proceedings in an informal manner as he considers appropriate with the object to bring an amicable settlement between the parties;

No legal practitioner shall be permitted to take part in the proceedings on behalf of any party.

The report of the members shall be recorded in writing and attested copies thereof shall be provided to the parties.

The committee in the process of reviewing the complaint may call the concerned Land Collector in order to arrive at an amicable settlement. In case of continuing differences and notwithstanding the provisions of Land Acquisition Act, the GRC can take a decision regarding entitlement and compensation. The decision taken during negotiations and GRC meetings shall be formally recorded for future reference and presentation in the court, if necessary.

---

All expenses incurred in arranging grievance negotiations and meetings of GRC as well as logistics required, shall be arranged by project-executing agency (TMA).

**Right of Complaint:** The aggrieved AP, if not satisfied with the decision of Grievance Resolution Committee, has the right to refer his / her petition to court of law.

## 2.16 **PUBLIC CONSULTATION AND PARTICIPATION**

In all sub-projects involving resettlement, and prior to the preparation of Resettlement Action Plans, the PAPs will be informed of the project objectives, likely impacts and essential provisions of Resettlement Policy through the following activities:

- Information campaigns using media, posters or information leaflets;
- Holding public meetings;
- Arranging interviews with the APs & their stakeholders groups;
- Formation of focus groups involving key stakeholders, like local leaders, women, the poor, etc;
- Setting up various committees for planning, implementation and monitoring purposes;
- Involvement of the APs in grievance redress process, and;
- Introduction of a social preparation phase;

In order to discuss and seek opinion / suggestion from the APs / their representatives shall be formally invited to participate in various meetings regarding resettlement issues as convened by TMAs.

## 2.17 **PUBLIC DISCLOSURE**

The APs will be publicly informed by the TMAs about the details of resettlement activities as included and to be implemented as a component of a development sub-project. Such information shall be made public and to be formally provided to each household in affected area, for checking and inviting their opinion / concurrence, and will include the following:

- Likely impacts (Positive and negative);
- Cut-off date for purpose of declaring entitlements to compensation and assistance;
- Entitlements and eligibility criteria;
- Mode of compensation payments;
- Options for resettlement and rehabilitation assistance available;
- Project implementation schedule;
- Complaint and grievance redress mechanisms, and;
- Name / contact address of concerned offices / officers;

The PMDFC will assist the TMAs in determining various steps and stages in information sharing and community consultation, in order to avail the project benefits as well as to solicit public reactions and suggestions leading to a more acceptable resettlement project,

---

endorsed both by the affected community in particular and the public in general. The public participation may range from informal meetings with the affected communities to issuing the press releases / leaflets, inviting from the public their comments on the project and various options proposed for resettlement planning and subsequent operations.

## 2.18 **IMPLICATIONS TO PMDFC**

### **I. MUNICIPAL BODIES AS GRANTEEES AND REGULATORS:**

The dual nature of the municipal body brings with it distinct implications. As a government agency, its duty is to set up amenities and facilities, to monitor operations and be in charge of approvals. As a project sponsor those same regulations will apply to its operations but in case of violation the repercussions are far greater. PMDFC's funding operations are presently focused solely on these agencies.

### **II. CONSUMER PROTECTION:**

If municipalities provide sub standard infrastructure or there are deficiencies in service, an affected consumer can take legal action. This will be kept in mind in PMDFC financed projects and it will be ensured that the services provided will subscribe to appropriate standards of quality

### **III. ENVIRONMENT:**

Compliance with environmental requirements laid down by the policy, legal and regulatory framework will not pose a problem in a majority of projects that are envisaged to be financed by PMDFC. However, in most cases the regulatory agency is the Tehsil Municipal Administration. Hence it will be essential for the municipal body requesting the finances to clearly separate the project execution function and regulatory function. It will be the responsibility of the Nazim to furnish the necessary undertaking of compliance along with the project proposal. Categorization of projects will be done so that assessments can be undertaken speedily and remedial measures can be adopted.

### **IV. SOCIAL:**

Land acquisition is not expected in a majority of PMDFC financed projects. Some projects like road widening may require land acquisition or relocation of populations and hence requiring rehabilitation and resettlement. Use of provisions for negotiated agreements of compensation rates for land are encouraged to ensure that problems of acquiring land from private individuals are minimized.

## 2.19 **SOCIAL IMPACT AND ENTITLEMENT FRAMEWORK FOR WORLD BANK FINANCED PROJECTS**

- PMDFC aims to finance investment proposals / sub-projects falling within the ambit of municipal services, and unless in conflict with the agreed procedures with the

---

World Bank, the due process and procedures of GoP will be followed. However, for social impacts and entitlements the following framework will be adopted:

**1. Loss of Land:**

This impact affects families' access to space for agricultural and residential land or land for commercial, industrial or institutional purposes.

**1.1 Loss of agriculture land:**

**1.1.1 Less than 20% of total landholding lost (marginal impact on household income and living standards).**

Loss of agricultural property is envisaged to impact persons with valid titles or customary or usufruct rights. The beneficiary will be the titleholder who will be entitled to choose between an alternative land of equivalent area or cash compensation at replacement value and cash compensation for land preparation;

In the case of tenants, sharecroppers or leaseholders the individual will be the beneficiary. They will be entitled to choose between equal leased land or a cash compensation for the acquired land at its replacement value;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a cash compensation for affected structure only. The squatters and encroachers will receive no compensation for land. The squatters and encroachers will receive no compensation for land;

**1.1.2 More than 20% of total landholding lost, or where less than 20% lost but the remaining land becomes economically unviable (severe impact on household income and living standard).**

Loss of agricultural property is envisaged to impact persons with valid titles or customary or usufruct rights. The beneficiary will be the titleholder who will be entitled to choose between an alternative land of equivalent area with equivalent productive potential or cash compensation at replacement value and cash compensation for land preparation;

In the case of tenants, sharecroppers or leaseholders the individual will be the beneficiary. They will be entitled to reimbursement for un-expired lease;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a cash compensation for affected structure only. The squatters and encroachers will receive no compensation for land;

**1.2 Loss of residential, commercial, industrial or institutional land:**

**1.2.1 Loss of residential, commercial, industrial or institutional land with remaining land sufficient to organize:**

Loss of residential, commercial, industrial or institutional land is envisaged to impact persons with valid titles, or customary and usufruct rights. The

---

beneficiary unit is the family, and the entitlement will be cash compensation at replacement value of affected portion of the land;

In the case of tenants and leaseholders, the beneficiary will be the commercial, industrial or institutional unit. The beneficiary unit will be entitled to reimbursement for un-expired lease and a transitional allowance equivalent to six month's income;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a transitional allowance for two month's income. Vulnerable squatters will be entitled for cash compensation for affected portion of the structure at replacement value. The squatters and encroachers will receive no compensation for land;

**1.2.2 Loss of residential, commercial, industrial or institutional land without sufficient remaining land (PAPs will be required to relocate).**

Loss of residential, commercial, industrial or institutional land is envisaged to impact persons with valid titles, or customary and usufruct rights. The beneficiary unit is the family, and the entitlement options offered to PAHs will include the provision of an equivalent area of land in an acceptable location or cash compensation at replacement value of lost property;

In the case of tenants and leaseholders, the beneficiary will be the commercial, industrial or institutional unit. The beneficiary unit will be entitled for an equivalent area of leased land, reimbursement for un-expired lease and a transitional allowance equivalent to six month's income;

In the case of squatters and encroachers, the family will also be considered as a unit and they will be provided with a transitional allowance for two month's income. Vulnerable squatters will be entitled to cash compensation for affected portion of the structure at replacement value. The squatters and encroachers will receive no compensation for land;

**2. Loss of structure:**

This category of impact includes families or units losing their houses or other commercial, industrial or institutional structures:

**2.1 Partial loss of structure and the remaining structure viable for continued use:**

Loss of structure will impact units with valid title, customary or usufruct rights. The beneficiary unit will be entitled to cash compensation for affected part of the structure at replacement value and allowance to cover repair cost of the remaining structure;

In the case of squatters and encroachers, the beneficiary unit will be entitled to cash compensation for affected part of the structure at replacement value and allowance to cover repair cost of the remaining structure;

**2.2 Entire loss of structure or where there is only partial impact, but the remaining structure is rendered unviable for continued use.**

Loss of structure will impact units with valid title, customary or usufruct rights. The beneficiary unit will be entitled to choose between a structure of

---

equivalent standard in an acceptable location or cash compensation at replacement value;

In the case of squatters and encroachers beneficiary units will be entitled to cash compensation for the structure at replacement value;

In the case of tenants and leaseholders, the beneficiary unit will be entitled to a reasonable transitional allowance equivalent to one year's income;

**3. Loss of livelihood / trade / occupation:**

This impact affects individuals to access to wage employment, loss of agricultural, commercial, industrial or institutional wage employment impacts specific individuals. The beneficiary individuals will be entitled to:

Employment in re-constructed enterprise or a package for re-employment or starting a business, and a transitional allowance equivalent to one year's wages in case of permanent closure;

In case of temporary closure compensation will be wages equivalent to the closure period;

**4. Loss of access to common resources and facilities:**

In this category of impacts, the beneficiaries are communities (in the case of rural projects) or households (in the case of urban projects), and the losses include loss of rural common property resources or urban civic amenities.

In the case of rural common property resources, the beneficiary units will be the households or the community entitled to replacement of common property resources/amenities;

In the case of urban civic amenities, the beneficiary units will be the households or the community entitled to access to equivalent amenities or services;

**5. Loss of standing crops:**

This category of impacts includes standing crops for those with valid titles, tenants or lessees and encroachers or squatters.

In all cases, the family will be the beneficiary. All categories will be entitled to cash compensation equivalent to market value of crops.

**6. Loss of standing trees:**

This category of impacts includes loss of trees for those with valid titles, tenants or lessees and encroachers or squatters.

All the categories will be entitled to compensation in cash at market value on the basis of type, age and productive value.

**7. Loss of perennial plants:**

This category of impacts includes loss of trees for those with valid titles, tenants or lessees and encroachers or squatters.

---

All the categories will be entitled to compensation in cash to total costs of initial investment and care until the time of land acquisition in case plants are not ready to harvest and compensation in cash at market value if or ready to harvest.

**8. Loss of public infrastructure**

The relevant agencies will be the beneficiaries under this category and will be compensated at replacement cost for the loss of public infrastructure.

**9. Losses during transition of displaced persons / establishments:**

Losses in this category include those during shifting/transport, maintenance, and construction. In all categories, the family or respective commercial, industrial or institutional unit will be the beneficiary.

For shifting and transport, the beneficiary family or the unit will be entitled to provision of transport or cash equivalent for the transportation arrangement;

In the case of maintenance, the beneficiary family or the unit will be entitled to cash payment for three months;

In the case of construction, the beneficiary family or unit will be entitled to a lumpsum cash payment for materials and labor or provision of materials for construction of structures, over and above compensation for lost structure;

**10. Losses to host communities:**

This category of impacts will be invoked, if the host community, particularly in the resettled area has reduced access to amenities and services. The beneficiary host community will be entitled to amenities/services if lost as a result of resettlement equivalent to those provided to the project affected persons.

**Temporary Losses:**

A PAP whose land, structures or other fixed assets, crops, trees or income earning capacity and production levels are adversely affected during the temporary possession of land, will be entitled to compensation for:

- the temporary inconvenience caused by the project;
- affected structures or other fixed assets in cash, on the basis of replacement cost of material and labor without deduction for depreciation or salvageable materials for the damages during the period of temporary possession;
- severely affected structures those made to shift temporarily from their present location. Entitlement will be in terms of rent allowance to cover the cost of alternate accommodation for the period of temporary displacement;
- loss of crops and trees at market value and compensation for loss of net income from subsequent crops that cannot be planted for the duration of temporary possession;

---

No compensation for land if returned to the original user, but a monthly rent as per market value will be paid to PAPs. Extreme care will have to be taken by the contractor to avoid damaging properties, in case damages do occur. PAPs will be compensated immediately and damaged assets will be restored to its former condition.

If the disruption continues for more than one year, PAPs will have an option to:

- a- continue the temporary use arrangements, or;
- b- opt for permanent acquisition at replacement value and any other rehabilitation entitlements provided to other permanently affected PAPs under the same project;

**Table 2.2**  
**Social Entitlement Framework For World Bank Financed Projects\***

No.	TYPE OF LOSS	APPLICATION	DEFINITION OF ENTITLED PERSON	ENTITLEMENT POLICY
1		3	4	5
1	Loss of agriculture land  (#hhlds)	Less than 20% of total land holding lost (marginal impact on household income and living standards).	a) Legal user with valid title or customary or usufruct rights. PAPs would be within the corridor of impact (#hhlds)	PAPs will be entitled to: <ul style="list-style-type: none"> <li>– Equivalent area of land or</li> <li>– Cash compensation for acquired land at replacement value.</li> <li>– Cash compensation for land preparation.</li> </ul>
			b) Tenant, leaseholder and sharecropper (#hhlds)	PAPs will be entitled to: <ul style="list-style-type: none"> <li>– Equal leased land or</li> <li>– Cash compensation for the acquired land at its replacement value.</li> </ul>
			c) PAPs without valid title (encroachers, squatters) (#hhlds)	PAPs will be entitled to: <ul style="list-style-type: none"> <li>- Cash compensation for affected structure at replacement value (for vulnerable squatters only).</li> <li>- Cash compensation for loss of land preparation</li> <li>- Squatters / Encroachers will not be entitled to land compensation.</li> </ul>
		More than 20% of total land holding lost, or where <20% lost but the remaining land becomes economically unviable. (severe impact on household income and living standards)  (#hhlds)	a) Legal user with valid title or customary or usufruct rights. PAPs would be within the corridor of impact (#hhlds)	PAPs will be entitled to: <ul style="list-style-type: none"> <li>– Equivalent area of land with equivalent productive potential. or</li> <li>– Cash compensation for acquired land at replacement value.</li> <li>– Cash compensation for land preparation.</li> </ul>
			b) Tenant, leaseholder and sharecropper (#hhlds)	PAPs will be entitled to: <ul style="list-style-type: none"> <li>– Equal leased land or</li> <li>– Reimbursement for un-expired lease</li> </ul>
			c) PAPs without valid title (encroachers, squatters) (#hhlds)	PAPs will be entitled to: <ul style="list-style-type: none"> <li>- Cash compensation for affected structure at replacement value (for vulnerable squatters only).</li> <li>- Cash compensation for loss of land preparation</li> <li>- Squatters / Encroachers will not be entitled to land compensation.</li> </ul>
Loss of residential, commercial, industrial or institutional land	Loss of residential, commercial, industrial or institutional land with remaining land sufficient to reorganize	a) PAPs with valid title or customary and usufruct right.  (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Cash compensation for affected portion of the land at replacement value.</li> </ul>	
		b) PAPs such as tenants and leaseholders	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>– Reimbursement for un-expired lease</li> <li>– Transitional allowance equivalent to six months income.</li> </ul>	
		c) PAPs without title (squatters and encroachers) (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>– Cash compensation for affected structures at replacement value (for vulnerable group only).</li> <li>– Transitional allowance equivalent to two months' income.</li> <li>– Squatters / Encroachers will not be entitled to land compensation.</li> </ul>	
		a) PAPs with valid title or customary and usufruct right.  (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>– An equivalent area of land in an acceptable location, or</li> <li>– Cash compensation for the entire land holding at replacement value.</li> </ul>	

		relocate (#hhlds)	b) PAPs such as tenants and leaseholders	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- An equivalent area of leased land</li> <li>- Reimbursement for un-expired lease</li> <li>- Transitional allowance equivalent to six months' income.</li> </ul>
			c) PAPs without title (squatters and encroachers) (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Cash compensation for affected structure at replacement value (For Vulnerable squatters only).</li> <li>- Transitional allowance equivalent to two months' income.</li> <li>- Squatters / Encroachers will not be entitled to land compensation.</li> </ul>
2	Structures (Residential, commercial, industrial or institutional)	Partial loss of structure and the remaining structure viable for continued use. (#hhlds)	a) Legal owner of the affected structure with valid title or customary or usufruct rights. (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Cash compensation for affected part of the structure at replacement value; and</li> <li>- Allowance to cover repair cost of the remaining structure.</li> </ul>
			b) Owner of affected structure without title (squatter / encroacher) (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Cash compensation for affected part of the structure at replacement value; and</li> <li>- Allowance to cover repair of the remaining structure.</li> </ul>
		Entire loss of structures or where only partial impact, but the remaining structure is rendered unviable for continued use, and sufficient land for reorganization.	a) Legal owner of the affected structure with valid title or customary or usufruct rights (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Structure of equivalent standard in an acceptable location or</li> <li>- Cash compensation for entire structure at replacement value.</li> </ul>
			b) Owner of affected structure without title (squatter / encroacher) (#hhlds)	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Cash compensation for entire structure at replacement value.</li> </ul>
			c) Tenant / leaseholder in the partially affected structure (#hhlds)	PAPs, if displaced, will be entitled to the following: <ul style="list-style-type: none"> <li>- Transition allowance equivalent to twelve months' rent.</li> </ul>
3	Loss of trade / livelihood / occupation	Agricultural / industrial / commercial or institutional wage employment impacts	Individuals	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Employment in reconstructed enterprise or package for re-employment or starting a business and transition allowance equivalent to one year's wages in case of permanent closure.</li> <li>- In case of temporary closure, compensation will be wages equivalent to closure period.</li> </ul>
4	Loss of access to common resources and facilities	Loss of access to rural common property resources and urban civic amenities	Communities / Households	PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Replacement of common property resources / amenities.</li> <li>- Access to equivalent amenities / services.</li> </ul>
5	Loss of standing crops	Standing Crops located in the corridor of impact	a) Household who cultivates the land. (#hhlds)	PAPs will be entitled to cash compensation equivalent to market value of damaged crops.
.6	Loss of perennial plants	Affected Plants	a) Not ready to harvest (#hhlds)	<ul style="list-style-type: none"> <li>- Owners of the affected plants will be entitled to total costs of initial investments and care until the time of land acquisition.</li> <li>- Compensation in cash at market value.</li> </ul>
			b) Only harvested once (#hhlds)	
7	Loss of trees	Affected Trees	Owners of the affected trees irrespective of land tenure status. (#hhlds)	PAPs will be entitled to cash compensation equivalent to market value on the basis of type, age & productive value.
8	Loss of public infrastructure	Infrastructure (electric water supply, sewerage & telephone lines;	Relevant agencies.	Compensation in cash at replacement cost to respective agencies.

		public health center; public water tanks)		
9	Losses during transition of displaced persons / establishments	Affected Assets	Losses during <ul style="list-style-type: none"> <li>• Shifting / transport</li> <li>• Maintenance</li> <li>• Construction (#hhlds / units)</li> </ul>	The PAPs will be entitled to the following: <ul style="list-style-type: none"> <li>- Provision of transport or cash equivalent for transport arrangement</li> <li>- Cash payment for 3 months</li> <li>- Lumpsum cash payment for materials and labor or provision for materials</li> </ul>
10	Losses to host communities	Affected amenities and services	Relevant community	Restore losses as a result of resettlement for amenities / services equivalent to those provided to PAHs.
11	Temporary Losses	Affected structures or other fixed assets	Affected PAPs	In cash, on the basis of replacement cost of material and labor without deduction for depreciation or salvageable materials for the damages during the period of temporary possession.
		Severely affected structures	Affected PAPs made to shift temporarily from their present location	Entitlement will be in terms of rent allowance to cover the cost of alternate accommodation for the period of temporary displacement.
		Loss of crops and trees	Affected PAPs	compensation at market value and for loss of net income from subsequent crops that cannot be planted for the duration of temporary possession
		Temporary acquisition	Affected PAPs	No compensation for land if returned to the original user, but a monthly rent as per market value will be paid to PAPs. PAPs will be compensated immediately and damaged assets will be restored to its former condition.
		Long term disruption	Affected PAPs	If the disruption continues for more than one year, PAPs will have an option to: <ul style="list-style-type: none"> <li>- continue the temporary use arrangements, or</li> <li>- opt for permanent acquisition at replacement value and any other rehabilitation entitlements provided to other permanently affected PAPs under the same project.</li> </ul>

\*To be read in conjunction with Appendix 1.

(#hhlds) TMAs to estimate number of households or PAPs eligible for each type of entitlement.

## **ENVIRONMENTAL, SOCIAL AND MANAGEMENT FRAMEWORK**

3.1 PMDFC, as a financial intermediary, will ensure the financial viability of each project that it funds. The project cycle for appraising and monitoring projects forms the background for evaluation and management of environmental and social issues that could arise within projects that are scrutinized and funded by the PMDFC. This section elaborates the project cycle of the PMDFC and the environmental and social assessment and management process therein. A risk evaluation and management process that is in consonance with the project cycle, has also been elucidated.

### **ENVIRONMENTAL, SOCIAL ASSESSMENT AND MANAGEMENT FRAME WORK**

3.2 The environmental and social assessment procedures evolved by PMDFC are in keeping with its project appraisal process. The various steps for environmental and social assessment and management of PMDFC projects have been dovetailed into the PMDFC project appraisal process. For each step the objectives, process steps, outputs and responsibilities have been identified. Initial screening criteria have been evolved for projects, based on magnitude and sensitivity of environmental and social issues.

### **3.3 PROJECT SCREENING**

- a. The Environmental and Social Information Package (Volume-II of ESF) will be supplied to the grantee along with Grant Application Form;
- b. The Information Package (IP) will consist of an Environmental and Social Screening Form, information on possible environmental and social issues in urban infrastructure projects, EAR outline for E-1 category projects, SAR outline for S-1 project, environmental management plan format for E-2 projects and social management plan for S-2 projects;
- c. Details required in Environmental and Social Screening Form will be filled out and submitted to PMDFC by the grantee along with the Grant Application Form. PMDFC then on the basis of information provided in the screening form will categorize the projects as E-1, E-2/S-1, S-2. This categorization will be part of Initial Screening in Field Appraisal Report;
- d. Based on guidance issued in the IP, the grantee will prepare a Detailed Project Report (DPR) using EMP format for E-2 and SMP format for S-2;

At this stage for E-1 and S-1 projects, EAR and SAR including Rehabilitation and Resettlement Plan (RAP) is required but the grantee initially may submit

---

Initial Environmental Examination (IEE) for E-1 project and Initial Social Assessment (ISA) for S-1 project. As the detailed census data and costs may not yet be known at this initial stage, final approval must be decided after SAR and EAR are approved. After approval of the Grant but before disbursement, the grantee has to submit an acceptable EAR and SAR for these projects for clearance by the World Bank and PMDFC;

- e. On receiving the DPR from the grantee, PMDFC will assess whether the environmental and social details given are adequate. If inadequate, the DPR will be sent back to the grantee for further information. On receiving a DPR complete in all aspects, PMDFC will specify a time period to the grantee for environmental and social appraisal.

### 3.4 **PROJECT APPRAISAL**

During project appraisal, PMDFC will appraise environmental and social components of the DPR. While reviewing EMP and SMP with the help of corporate consultants, PMDFC will look at the type of environmental and social issues, adequacy of environmental and social management measures, and of proposed methodologies for involving primary stakeholders, and the cost of implementing the environmental and social management measures. The proposed project sites will be visited if necessary.

PMDFC will discuss any further changes or modifications that have to be made to the environmental and social components of the DPR with the grantee. PMDFC will finalize the environmental and social appraisal report as part of the Detailed Project Report with decision to: accept project as submitted; accept project with modifications; or, reject project.

General Manager (Engineering) will sign off the DPRs before funds are released to TMAs.

### 3.5 **GRANT SANCTION AND DISBURSEMENT**

Before approval of the Grant, environment and social commitments be made part of the grant agreement. For E-1 and S-1 before disbursement of Grant, grantee has to submit EAR and SAR.

### 3.6 **PROJECT MONITORING, AUDIT AND RECOVERY**

- a. During Environmental and Social Monitoring and Audit, PMDFC will ensure that the Grantee conforms to the EAR and SAR during construction, operation and maintenance;
- b. Monitoring of Environmental and Social components will be carried out through environmental and social compliance reports that form a part of Quarterly Progress Reports. Visits will be carried out to project sites if necessary. The project will also be monitored through interactions with grantees, local user groups, government etc. and where implementation of the EAR and SAR is complete, it will be certified as part of the Project Completion Report;
- c. Annual maintenance reports will be submitted by the grantee to PMDFC;

- 
- d. PMDFC with the help of external consultants will audit projects on environmental and social aspects annually. While all projects of E-1 and S-1 category will be audited, PMDFC will sample 25% of the E-2 and S-2 projects. The remaining E-2 and S-2 projects and all E-3 and S-3 projects will be audited through compliance reports;
- e. By the end of the sub-project, lessons learnt will be reviewed and will be accordingly replicated in the next phases;
- f. The Quarterly Monitoring and Completion report formats will cover:
- participation of local bodies and communities;
  - coverage of (i.e. provision of benefits to) populations including vulnerable groups;
  - access to urban amenities and services by low-income settlements; and, if displacement is unavoidable for any investment;
  - resettlement of displaced families and restoration of the livelihoods of all affected persons. These will be monitored during implementation by PMDFC consultants to ensure any differences are quickly corrected;

**Table 3.1**  
**ENVIRONMENTAL, SOCIAL ASSESSMENT AND MANAGEMENT FRAMEWORK**

Milestones	Objectives	Process	Responsibility	Decision/Product
<b>1. Project Screening</b>				
<b>Environmental and Social Screening and Scoping</b>	<ul style="list-style-type: none"> <li>Screen and Scope projects from environmental and social perspective</li> </ul>	a. Issue Environmental and Social Information Package with Grant Application Form for Initial Screening. Information Package will assist the grantee in filling up the Detailed Project Report formats. The Information Package contains: <ul style="list-style-type: none"> <li>- <i>EAR and SAR (which includes RAP) outline for E-1 and S-1 category projects;</i></li> <li>- <i>EMP and SMP formats;</i></li> </ul> b. Receive Grant Application Form. c. Prepare Field Appraisal Report (FAR): <ul style="list-style-type: none"> <li>- verify environmental and social issues;</li> <li>- finalize categorization of project;</li> </ul>	<ul style="list-style-type: none"> <li>PMDFC</li> <li>Grantee</li> </ul>	<ul style="list-style-type: none"> <li>Environmental &amp; Social Screening Report of ISR</li> <li>Environmental &amp; Social input into decision to proceed or not with project</li> </ul>
	<ul style="list-style-type: none"> <li>Receive environmental and social components of DPR</li> </ul>	a. Receive DPR from grantee. b. Assess if environmental and social details are adequate: <ul style="list-style-type: none"> <li>- if adequate, retain report for detailed appraisal; <i>if inadequate, send report back to grantee for further information;</i></li> <li>- specify time period for environmental and social appraisal;</li> </ul>	<ul style="list-style-type: none"> <li>PMDFC</li> </ul>	<ul style="list-style-type: none"> <li>Adequacy of environmental &amp; social details in DPR verified</li> </ul>
<b>2. Project Appraisal Detailed Environmental and Social Appraisal</b>	<ul style="list-style-type: none"> <li>Appraise environmental and social components of DPR</li> </ul>	a. Review DPR with the help of Corporate Consultants in case of <i>E-1/S-1 category projects. Conduct site visits, if required. Crosscheck:</i> <ul style="list-style-type: none"> <li>- type of E&amp;S issue;</li> <li>- magnitude of E&amp;S issue;</li> <li>- adequacy of E&amp;S management measures provided;</li> <li>- implementation of RAP;</li> <li>- cost of implementing E&amp;S management measures;</li> </ul> b. Discussions with grantee on: <ul style="list-style-type: none"> <li>- modifications to be incorporated in environmental and social components of DPR;</li> <li>- appropriate changes in other components of DPR;</li> </ul> c. Finalize environmental and social components as part of project appraisal report.	<ul style="list-style-type: none"> <li>PMDFC</li> <li>Grantee</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S Appraisal Report as part of Project Appraisal Report with decision to:               <ul style="list-style-type: none"> <li>- accept project as submitted</li> <li>- accept project with modifications</li> <li>- reject project</li> </ul> </li> </ul>

Milestones	Objectives	Process	Responsibility	Decision/Product
<b>3. Grant Sanction &amp; Disbursement</b>				
<b>Environmental and Social Report Approval</b>	<ul style="list-style-type: none"> <li>Approval of environmental and social components of DPR from appropriate authority</li> <li>Concurrence from World Bank</li> <li>Issue Sanction Letter</li> <li>Finalization of Grant Agreement</li> </ul>	<p>a. Obtain approvals for approval of environmental and social components of DPR from:</p> <ul style="list-style-type: none"> <li>PMDFC board (project costs upto Rs. 15 crores);</li> <li>WB TC Board (project costs &gt;Rs.15 crores);</li> </ul> <p>a. Send environmental and social components (as part of DPR) for concurrence to WB:</p> <ul style="list-style-type: none"> <li>for first three projects where resettlement is involved;</li> <li>all projects where project cost above Rs.15 crores;</li> </ul> <p>a. Discuss implementation of environmental and social management measures of DPR with Grantee:</p> <ul style="list-style-type: none"> <li>Translate environmental and social commitments into Terms of Grant Agreement;</li> </ul> <p>a. Sign agreement and disburse first Grant installment.</p>	<ul style="list-style-type: none"> <li>PMDFC</li> <li>Grantee</li> <li>PMDFC</li> <li>World Bank</li> <li>PMDFC</li> <li>Grantee</li> <li>PMDFC</li> <li>Grantee</li> </ul>	<ul style="list-style-type: none"> <li>Final approval</li> <li>Final concurrence from World Bank</li> <li>Environmental and Social covenants as part of Grant Agreement</li> <li>First installment disbursed</li> </ul>
<b>4. Project Monitoring, Audit and Recovery</b>				
<b>Environmental and Social Monitoring and Audit</b>	<ul style="list-style-type: none"> <li>Ensure conformity to EAR and SAR during construction, operation and maintenance</li> <li>Audit projects</li> </ul>	<p>a. Environmental and Social monitoring:</p> <ul style="list-style-type: none"> <li>Environmental and social compliance reports as part of Quarterly progress reports;</li> <li>Field visits if required;</li> <li>Interactions with grantee, local user groups, government, etc.</li> </ul> <p>b. Certification of EAR and SAR completion as part of Project Completion Report.</p> <p>c. Annual maintenance reports till completion of Grant.</p> <p>a. Audit Project on environmental and social aspects annually with the help of external consultants for:</p> <ul style="list-style-type: none"> <li>all projects of E-1 and S-1 category;</li> <li>25% of E-2 and S-2 category;</li> <li>Compliance Reports for remaining E-2, &amp; S-2 projects and all E-3 and S-3 projects;</li> </ul>	<ul style="list-style-type: none"> <li>Grantee</li> <li>PMDFC</li> <li>PMDFC</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S compliance Reports as part of Quarterly Progress Reports</li> <li>EAR/SAR Compliance Certificate as part of Project Completion Report</li> <li>Annual Maintenance Reports</li> <li>E&amp;S Audit Reports</li> </ul>

---

## **ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK**

3.7 Environmental and Social risks could adversely affect project operations and outcomes. Even though projects that will be funded by PMDFC are expected to be physically and financially small (refer Table 1.1), PMDFC recognizes the importance of managing environmental and social risks that could arise in E-1 and S-1 projects. PMDFC will carry out environmental and social risk management as a part of its project management strategy. In order to manage environmental and social risks which can occur in projects, PMDFC has dovetailed environmental and social risk management into its Environmental and Social Management Process.

3.8 PMDFC's risk management process will comprise the following steps :

- Risk Management Plan
- Risk Appraisal
- Risk Allocation
- Risk Monitoring

3.9 The framework is as shown in Table 3.3

### **I. RISK MANAGEMENT PLAN:**

After receiving a completed Grant Application Form from the grantee, PMDFC will identify risks from the checklist provided in Section 1 and crosscheck the same with the Grant Application Form. PMDFC will carry out a preliminary environmental and social risk assessment and risk characterization on the basis of their approximate financial implications. PMDFC will then carry out a preliminary environmental and social risk allocation as shown in Table 3.3 and prepare an initial Risk Management Plan as part of the FAR.

PMDFC will prepare a detailed risk management plan with the help of consultants as part of DPR. The DPR will be scrutinized for adequacy of information. If the information is adequate, PMDFC will retain the report for further appraisal. If the information is not adequate, PMDFC will send back the report to the grantee for further details.

### **II. RISK APPRAISAL:**

PMDFC will appraise the Risk Management Plan as a part of DPR. PMDFC will cross-check the environmental and social risks identified in the FAR. PMDFC will then appraise the type and magnitude of risk, the characterization of risk and risk allocation and management measures in consultation with the grantee.

### **III. RISK ALLOCATION/TRANSLATION:**

PMDFC obtains approval from its Board in the case of projects which costs upto Rs.15 crores and from the World Bank for projects that cost above Rs.15 crores. PMDFC will translate risk allocation into covenants after consulting the grantee. Finally, PMDFC and the grantee will sign the covenants and PMDFC will disburse the first installment.

---

#### **IV. RISK MONITORING AND PREPAREDNESS:**

PMDFC will monitor risk through Quarterly Progress Reports and field visits whenever necessary. PMDFC will conduct risk monitoring through interactions with grantee, Government of the Punjab and Regulatory Agencies.

The grantees should at any point in time be prepared to encounter risk even after the best prevention measures are set in place. PMDFC will ensure this through a set of protocols that clearly defines who has to execute specific tasks. The grantee should ensure that plans are prepared and implemented.

#### **3.9 INSURANCE MECHANISM**

A potential risk for PMDFC is the possibility of being held liable by third parties for environmental damage. Protection against this becomes increasingly important as the question of placing liability (fault) for such damage is now more accepted.

PMDFC will consider liability limits, deductibles, and self-insurance. The risk analysis process will identify what level of exposure to damages arises from operational procedures or products the institution is exposed to. Limits to the liability PMDFC can cope with will be defined in accordance with specific findings and due consideration would be accorded to the danger of accumulation.

**Table 3.2  
ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK**

Milestones	Objectives	Process
<b>I. Project Screening</b>		
<b>Risk Management Plan</b>	<ul style="list-style-type: none"> <li>• Initial Risk Identification</li> <li>• Initial Risk Assessment</li> <li>• Initial Risk allocation</li> </ul>	<ul style="list-style-type: none"> <li>- Receive Grant application form</li> <li>- Prepare initial Risk Assessment Report</li> <li>- Identify environmental and social risks from check list provided in Section 1</li> <li>- Cross-check initially with Grant application form</li> <li>- Preliminary assessment of risk</li> <li>- Preliminary characterization</li> <li>- Initial allocation of risk</li> </ul>
	<ul style="list-style-type: none"> <li>• Receive environmental and social Risk Management plan as part of DPR.</li> </ul>	<ul style="list-style-type: none"> <li>a) Receive DPR from grantee</li> <li>b) Assess if environmental and social Risk details are adequate               <ul style="list-style-type: none"> <li>- If adequate send for detailed appraisal</li> <li>- If inadequate send report back to grantee for further information</li> </ul> </li> </ul>
<b>II. Project Appraisal</b>		
<b>Risk Appraisal</b>	<ul style="list-style-type: none"> <li>• Appraisal of risk management plan of DPR</li> </ul>	<ul style="list-style-type: none"> <li>a) Appraise environmental and social Risk Management Plan               <ul style="list-style-type: none"> <li>- conform Risk identified</li> <li>- characterization of risk</li> <li>- allocation of risk</li> <li>- Risk Management Measures</li> </ul> </li> <li>b) Finalize environmental and social Risk Management measures</li> </ul>
<b>III. Grant Sanction and Disbursement</b>		
<b>Risk Allocation</b>	<ul style="list-style-type: none"> <li>• Translation of risk allocation into covenants</li> </ul>	<ul style="list-style-type: none"> <li>a) Approval of Risk Management measures</li> <li>b) Translate environmental and social Risk Management measures into covenants</li> <li>c) Sign environmental and social Risk Management covenants</li> </ul>
<b>IV. Project Monitoring and Audit</b>		
<b>Risk Monitoring</b>	<ul style="list-style-type: none"> <li>• Risk Monitoring</li> <li>• Risk Preparedness</li> </ul>	<ul style="list-style-type: none"> <li>a) Monitor Risks               <ul style="list-style-type: none"> <li>- Quarterly progress reports</li> <li>- Field visits</li> </ul> </li> <li>b) Risk Preparedness via Institutional Mechanisms</li> </ul>

**Table 3.3  
RISK ALLOCATION FRAMEWORK FOR PMDFC PROJECTS**

<b><u>Key Role Players</u></b>	<b>Govt. of Punjab</b>	<b>PMDFC</b>	<b>TMA</b>	<b>Contractor/ Operator</b>	<b>Insurance</b>
1) Inability to pay		X	X		
2) Non-compliance					
- Regulatory			X		
- Contractual					
3) Site Contamination			X	X	
4) Major Hazards			X		X
5) Force Majeure				X	
- Insurance					X
- Non-insurable	X	X	X		
6) Unidentified impacts			X		
7) Non-Implementation/ delayed implementation of Social Plan		X	X		
8) Public Interest Litigation	X	X	X		

## **ORGANIZATIONAL STRUCTURE**

### **4.1 ORGANIZATIONAL STRUCTURE**

In order to ensure that the policy obligations and associated procedures in the Environmental and Social Framework (ESF) are operationalized, PMDFC has an organizational support structure (Appendix-2). PMDFC has thirteen professionals headed by the Managing Director. Thirteen professionals consist of three General Managers, three Managers (Two Engineering + One Environment), three Managers (ID), three Managers (F&A) and Manager (Procurement). The Manager Environment will help General Manager (Engineering) in project specific environmental and social assessment.

### **4.2 RESPONSIBILITY ALLOCATION FRAMEWORK**

In the first one year a majority of the projects to be financed are expected to be environmentally and socially benign projects (E-3 and S-3 categories) or those where best practices available can be easily applied (E-2 and S-2 categories). No projects with severe environmental and social complexities (E-1 and S-1 categories) will be financed other than for piloting.

PMDFC will ensure sensitivity to environmental and social aspects of various projects among its project appraisal and management staff by adhering to its own detailed policies and attempting to involve local inhabitants wherever possible to ensure local agreement with appropriateness and local involvement to ensure effective operation and maintenance. Additionally, PMDFC will maintain a roster of consultants from among individuals or organizations who have the full range of expertise to address environmental and social concerns related to urban infrastructure projects. They will assist in developing, appraising and monitoring E-1 and S-1 category projects, and in ensuring local involvement. They will also address other project specific environmental and social issues as and when necessary, particularly related to beneficiary involvement.

The Consultants for environmental and social issues will essentially provide services to PMDFC as required, for the following

Advising PMDFC on environmental and social issues

- Environmental and social screening of projects wherever required by the PMDFC;
- Reviewing EAR, SAR and other documents submitted by grantees for specific environmental and social project components;
- Monitoring and evaluating projects;

---

The Consultants will also undertake the annual environmental and social audit of all PMDFC financed projects. The Terms of Reference for corporate consultants are furnished in Appendix-3.

#### 4.3 **CAPACITY BUILDING**

PMDFC envisages capacity building of its own personnel and its grantees who will include Local Governments / Tehsil Municipal Administrations in order to ensure that the ESF is effectively operationalized.

The PMDFC personnel will be exposed to formal training in the management of environmental and social issues. The training program for various role players will include an orientation program on the ESF, Municipal Finance, Urban Planning, Social and Environmental Assessment Processes, Participatory Methodologies, Project Management and Engineering and Public Health.

The training program is to be coordinated and anchored within a training institution in the Punjab and other local and National Institutions and individuals experienced in various aspects of urban infrastructure projects, will be called upon through an open bid to develop and conduct courses on various modules.

PMDFC will help improve the effectiveness of TMA's management of environmental and social impacts during planning, implementation and operation of proposed investments. Proposed criteria for graduating TMAs is shown in table below, which will be used as modules in capacity building for all TMAs.

Each module will be field based, allowing real application of the critical practices such as the following:

- **Basic practices:** screening impacts, scoping assessments, planning mitigation options, public consultation to assess feasibility and acceptability options;
- **Social:** land acquisition methods, census methods, classifying severity of impacts and entitlements, responsibilities for planning and delivery of entitlements before site handover;
- **Environment:** site selection and route alignment to minimize environmental impacts and social disruption; restoration of drainage patterns, land use etc; including mitigation measures in BoQ and contracts; management of impacts during construction; monitoring of effectiveness of measures;
- **Monitoring and grievance redress:** transparency and public administration in planning, reporting and supervision responsibilities and formats during implementation, documenting land transactions, complaint response record keeping and procedures;

### Capacity Building Criteria for Graduation to S1 & E1 Sub-projects

Issue	Concern	Eligibility Criteria
<b>1. Environmentally &amp; socially sound sub – projects, complying with agreed ESF policy</b>	<ul style="list-style-type: none"> <li>• Realistic social and environmental standards for planning and implementation.</li> </ul>	<ul style="list-style-type: none"> <li>- TMAs effectively decide questions of what mitigation is needed to manage risks, who is eligible for what and determining how much is enough to achieve the standards, for e.g. of environmental protection, replacement cost and income restoration;</li> </ul>
	<ul style="list-style-type: none"> <li>• Effective monitoring of actual mitigation results.</li> </ul>	<ul style="list-style-type: none"> <li>- Accuracy and credibility of baseline data and reasonable certainty of detecting and correcting any errors or problems during planning and implementation. To be able to meet standards, the TMAs must have sensitive monitoring systems &amp; specific indicators for the adequacy of the mitigation or compensation delivered and actual results;</li> </ul>
	<ul style="list-style-type: none"> <li>• Clear incentives and accountability for all partners.</li> </ul>	<ul style="list-style-type: none"> <li>- TMAs have clear statements of task assignments, reasonable corrective consequences for mistakes or failures and unambiguous responsibility and sources of financing to correct problems, and functioning grievance redress systems;</li> </ul>
	<ul style="list-style-type: none"> <li>• Common awareness and understanding of the above.</li> </ul>	<ul style="list-style-type: none"> <li>- Communication to ensure common awareness of standards, monitoring and accountability by those affected, contractors, NGOs, independent consultants, TMAs, provincial government and donors;</li> </ul>
<b>1. Participatory planning and implementation and inclusion of the poor in project benefits.</b>	<ul style="list-style-type: none"> <li>• Sub – project prioritization is based on adequate consultation..</li> </ul>	<ul style="list-style-type: none"> <li>- Resolution of the TMA council in support of the sub – project after public meeting;</li> </ul>
	<ul style="list-style-type: none"> <li>• Effective accountability to citizens.</li> </ul>	<ul style="list-style-type: none"> <li>- Formal endorsement by the community through public hearings and documented periodic reporting of TMA's performance to citizens;</li> </ul>

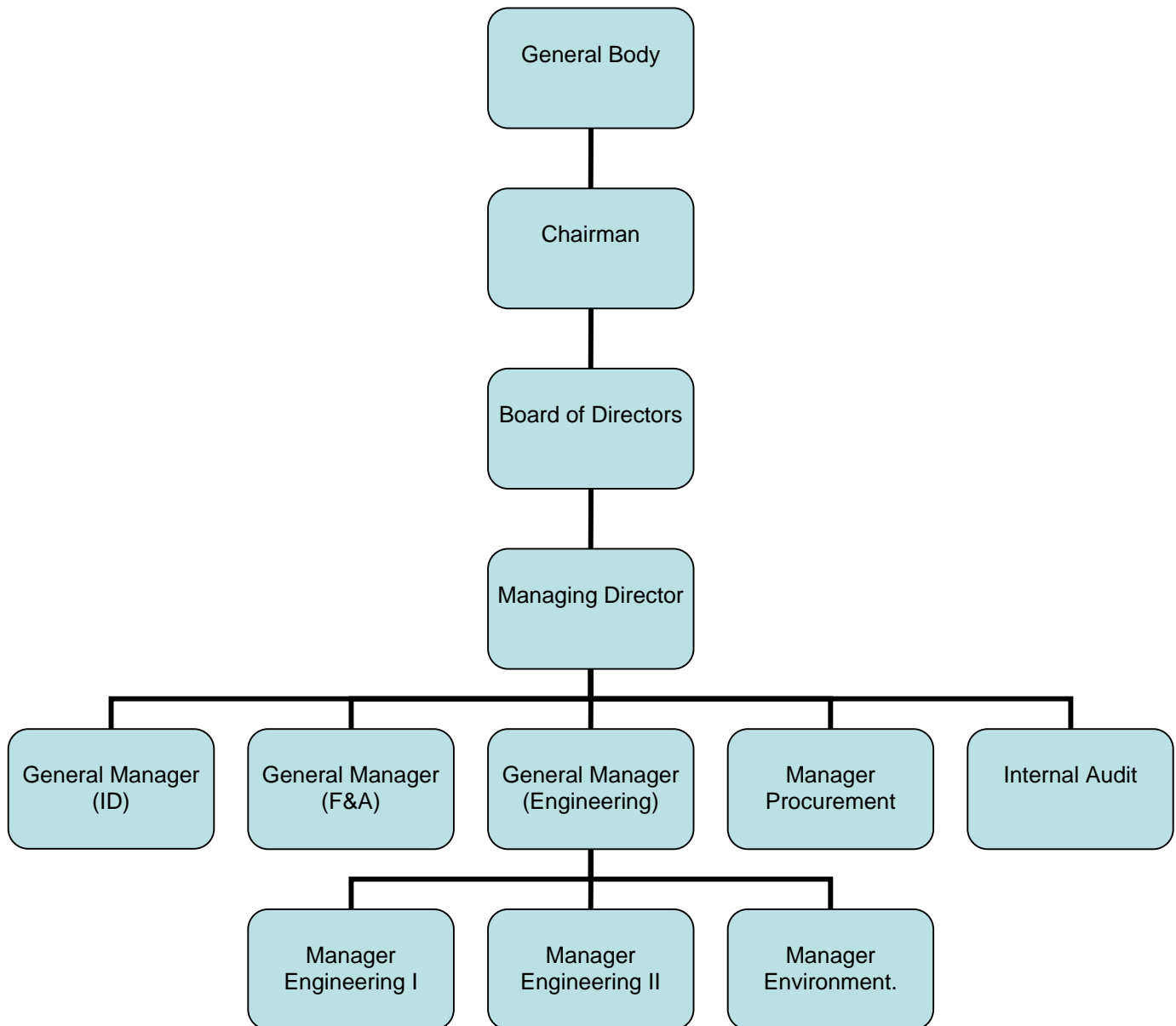
---

---

## PMDFC ORGANIZATIONAL CHART

---

---



---

**FOR COMMENTS:**