



DRAFT PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

Setting Standards for Sustainable Development

QUESTIONS AND ANSWERS

The World Bank has proposed a first draft framework, which includes ten Environmental and Social Standards, to the Executive Director's Committee on Development Effectiveness (CODE) on July 30, 2014 as a basis for consultation. The Executive Directors, without endorsing the content, have authorized the release of the draft for consultation with shareholders and stakeholders. This document provides answers to questions on the draft proposal that have been raised by shareholders and stakeholders. This Q & A has been prepared to help provide background to the draft and is not intended to be a comprehensive treatment of the issues. It will be extended as we receive more questions.

The document has last been updated on August 22, 2014

WHY THE REVIEW?

Q: Why a new Social and Environmental Framework? What are the problems we are addressing with the review?

A: The current set of safeguard policies has been developed about 20 years ago. For the past two decades, these mandatory policies have guided our work as we partner with developing countries to help them build roads and schools, or improve health systems and trade. We are now conducting a review of these policies to modernize and strengthen the existing safeguard policies to respond to current environmental and social issues. The new standards will focus on development outcomes, through improved management of environmental and social risks and impacts, responding to the different and evolving needs of projects and Borrowers. The need for the review has become apparent through a number of ways: While the current safeguard policies have served the Bank and Borrowers well, different policies were developed in an ad hoc manner in response to emerging issues and challenges. We now have an opportunity to consolidate these policies, to modernize them, make them easier to implement. This will improve our ability to work together with Borrowers toward development benefits that are sustainable and inclusive. Furthermore, an [analysis of the Independent Evaluation Group](#) (IEG) from 2010 identified a number of issues with the current policies. IEG's recommendations include a consolidated framework for the current set of safeguard policies, clearer guidelines, and better monitoring. Throughout an extensive consultation period that started in October 2012, we have heard from more than 2,000 stakeholders from more than 40 countries from all regions across the world. They provided input on issues of implementation, supervision, the range of issues covered by the safeguard policies, capacity building, and other areas. Based on these rich sources of information and evaluation, the review aims to strengthen the effectiveness of the safeguard policies in order to enhance the development impact of World Bank supported projects and programs.

Q: Are there examples that illustrate the challenges in using the current safeguard policies?

A: The safeguard policies were developed over time responding to specific needs. Since the current policies have been put in place about 20 years ago, many new issues have become central to development. Among them are climate change, sustainable resource management, labor and working condition, and community

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health and safety. In order to keep our safeguards relevant to the work we are doing, we need to include these issues in a new Environmental and Social Framework. We also need to reflect international good practice, for instance, efforts to measure and reduce greenhouse gas emissions, providing grievance mechanisms for project-affected communities and workers employed by the Borrower in a project, and introducing Free, Prior, and Informed Consent of Indigenous Peoples.

Other key challenges with the current safeguard policies are related to implementation and to the clarity of requirements for Borrowers. For instance, requirements on social issues are not very clear in the current policies. While OP 4.01 (Environmental Assessment) requires an integrated environmental and social assessment, it lacks detail on which social issues should be considered. Further, many of the policies require the preparation of assessment and planning documents prior to Bank appraisal; in certain circumstances, the information required to do this is not available, which can lead to delay or inefficient use of resources.

ALIGNMENT WITH WORLD BANK GOALS

Q: How will the Proposed Framework contribute to achievement of Bank goals?

A: The purpose of the review and update of the World Bank's safeguard policies is to promote the institution's goals: to end extreme poverty and to promote shared prosperity in a sustainable manner in all its partner countries. The new framework is designed to deliver efficiently on the two goals whilst also supporting more sustainable use of resources, promoting social inclusion, discouraging discrimination, and being mindful of the economic burdens development can place on future generations. The World Bank is committed to environmental and social sustainability across all its activities. Through the review and update of the safeguard policies, we aim to translate these global aspirations to projects supported by the Bank through investment project financing, to ensure that such issues are properly addressed.

While the Proposed Framework applies at the project level, its proper implementation will have a demonstration effect for activities beyond the project itself. The World Bank works at many levels, and uses its convening ability, financial instruments and intellectual resources to embed environmental and social considerations in all its activities. These efforts range from the World Bank's global engagement in issues such as climate change and gender equality to ensuring that environmental and social considerations are reflected in sector strategies, operational policies and country dialogues. This broad range of interventions, which include the Strategic Country Diagnostics and the Country Partnership Framework, complements the Bank's involvement at a project level. The Bank will continue to engage at a country level, and will use project experience to inform strategic initiatives.

THE PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

Q: Does the Proposed Framework represent a dilution of the current safeguard policies?

A: No. The current safeguard policies will be strengthened. The new proposed Environmental and Social Framework builds on the existing safeguards by consolidating them into a unified framework. This will improve the efficiency of application and implementation, which in turn will improve the effectiveness of the protections on the ground. The new framework also expands the coverage of existing safeguards by adding protections specifically on labor and on emerging risks, such as project impacts on climate change. The Environmental and Social Framework introduces non-discrimination as core principle. In drafting the proposed framework, the aim has been to avoid overall dilution of environmental and social protection, while modernizing certain requirements and reflecting the Bank's experience over the past 20 years. The proposed framework also draws on the experience of other Multilateral Development Banks, many of whom have recently revised their own environmental and social policies.

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The overall impact of the Proposed Framework will be to strengthen the management of environmental and social risk. The Proposed Framework is dynamic and project-focused, and reflects and responds to the real timeline for development of a project. It focuses on the importance of a robust environmental and social assessment, the ongoing identification and management of risks and impacts, and the application of mitigation measures in a timely way to protect the environment and people. The aim of the new approach is to achieve better implementation of projects and a more targeted and efficient use of resources, with importance being given to managing environmental and social risks and impacts during the implementation of the project.

Q: What did the World Bank's Executive Committee on Development Effectiveness (CODE) decide regarding the proposed framework?

A: On July 30, the World Bank's management asked the Board's Committee on Development Effectiveness (CODE) for clearance to proceed with Phase 2 of the review and update process. Executive Directors did not endorse this draft. Rather, they asked us to consult with our shareholders and stakeholders about how to strengthen the proposal to ensure that we will continue to provide the most effective protections for the environment and the people that are impacted by our projects. We will revise the first draft of the framework based on the feedback we will receive from shareholders and stakeholders over the coming months. We will present a second draft to Executive Directors in 2015 for their consideration and discussion.

Q: What are the key differences between this framework and the current policies?

A: There are a number of differences between the proposed framework and the existing safeguards policies, and also many similarities:

- The existing policies evolved one by one, over a twenty year period, often in response to changing Bank requirements and specific project challenges. By contrast, the proposed framework has been drafted as a coherent and systematic framework, with the aim of avoiding duplication and inconsistency and building on the Bank's experience and that of its Borrowers.
- The current safeguard policies constrain the way in which evolving project activities can be addressed. In many cases the policies require the identification of risks and impacts and the development of related plans prior to Bank appraisal and Board approval of the project, at a time when insufficient information is available. This can contribute to inadequate documents and delay, and a tendency to focus on upfront documentation rather than ongoing project implementation and management. The proposed framework aims to address some of these concerns by permitting the requirements of the Environmental and Social Standards to be met over time, in accordance with the development of the project and the technical and financial constraints of the Borrower.
- The proposed framework separates the Bank's obligations in the Policy and the Borrower's obligations in the Standards. This approach has been used successfully by IFC and other Multilateral Development Banks. By contrast, the current policies and procedures do not articulate the roles of Bank and Borrower as clearly as what is being proposed, and this can give rise to confusion in roles and obligations.

Q: What happens in situations where national law is inconsistent with the Environmental and Social Standards?

A: The requirements of national law as they apply to the project, and any inconsistencies with the Environmental and Social Standards, will be considered through the environmental and social assessment that will be carried out by the Borrower. Where national law is inconsistent with the requirements of the Environmental and Social Standards, the provisions of the Environmental and Social Standards will prevail as

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regards the project being supported by the Bank and, to the extent possible, any inconsistencies will be addressed through project design. Any potential inconsistencies that cannot be resolved will be brought to the Board for consideration.

Q: Will the Proposed Framework affect the role of the Inspection Panel?

A: As Management stated in the 2012 Approach Paper, the role of the independent Inspection Panel is not part of the review and the mandate of the Panel will remain unchanged. Unlike the current safeguards, the draft Policy contains explicit reference to the Panel.

Q: Why is the Bank not adopting the IFC Performance Standards?

A: As was clear during the Board discussion of the IFC Performance Standards, they were designed specifically for the private sector, and were last reviewed by IFC in 2010. While they contain useful approaches and provisions for the management of environmental and social risk, the Bank's Borrowers are different from the private sector, with different responsibilities and scope of authority. For these reasons, while the Proposed Framework adopts much of the content of the Performance Standards, it also responds to the specific issues associated with public sector lending. It also reflects some approaches and issues addressed by other Multilateral Development Banks with lending portfolios similar to the Bank, who have conducted reviews more recently than IFC.

Q: How will the Proposed Framework apply if the Bank is not the sole financier?

A: Where the Bank is co-funding a project with other donors, the Proposed Framework would establish that the World Bank and the other donors can agree on a common approach for the assessment and management of environmental and social risks, providing such approach does not materially deviate from the objectives of the Environmental and Social Standards. In assessing this approach, the World Bank will take into account the policies, standards and implementation procedures of the other funding agencies.

Q: Why does the Proposed Framework not apply to Development Policy Lending (DPLs) and Program for Results (P4R)?

A: We believe that environmental and social requirements need to be tailored to the nature of specific financial instruments. Approaches to addressing environmental and social considerations related to Development Policy Lending (DPL) and Program for Results (P4R) are embedded in the respective operational policies (OP/BP8.60 and OP/BP9.00). As endorsed by Executive Directors in the Approach Paper and concordant with the approach of other MDBs, DPLs and P4R are not covered by the proposed Framework. The World Bank is currently conducting a retrospective of P4R and a retrospective of DPL is planned for 2015. In parallel, IEG is preparing an evaluation of the environmental and social aspects of DPLs. Management will review and reflect upon the conclusions of these retrospectives and the IEG evaluation.

RESOURCES AND CAPACITY BUILDING

Q: Will the Proposed Framework have cost implications for the World Bank and for Borrowers?

A: When the new Environmental and Social Framework will be rolled out for the first time, there will be cost implications. Both the World Bank and the Borrower will need to invest in capacity building and skills enhancement. However, one of the aims of the Proposed Framework is to allow for a better allocation of

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resources at the project level, commensurate with the risks of the project. This means that once the new framework is fully operational, we expect the cost implications for Bank and Borrower to be neutral. A resource plan will be developed as part of the consultation activities in Phase 2 of the review.

Q: What is the proposed approach to Borrower capacity building, and how will it be resourced?

A: Capacity building will be tailored to the specific needs of the Borrower. Projects supported by the Bank will include capacity building as necessary. Management anticipates that funding for capacity building will come from a variety of sources including the Bank's own funds in line with the Country Partnership Framework, from the Borrower's own resources as necessary enhanced by project financing and technical assistance, development partner funding where available and reimbursable advisory services.

Q: Will the needs of countries with low capacity, such as Fragile and Conflict-Affected Situations (FCS), be addressed?

A: The World Bank believes that the Proposed Framework must be suitable for application across a wide range of Borrowers, with different resources and capacity constraints. Management is committed to providing all Borrowers with support for enhancing capacity in the application of the Proposed Framework. FCS will continue to be addressed under Operational Policy (OP) 10.00 (Investment Project Financing).

CLASSIFICATION OF PROJECTS

Q: Why is the World Bank proposing to change the current risk categorization of projects?

A: Currently, the World Bank classifies projects into categories A, B, and C. Projects in Category A have the potential for significant environmental and social impacts and require a very thorough environmental and social assessment. Category B projects have limited impacts and mitigation measures are readily identifiable. A project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. The category determines the type of environmental and social assessment that needs to be carried out as well as the extent of consultation and oversight that will be required. The ABC risk rating is determined when the project is prepared and can only change if the project is restructured. Without restructuring, the risk rating cannot change through the project cycle, even if the project conditions change. In the proposed Environmental and Social Framework we propose a more comprehensive classification (High, Substantial, Moderate and Low), which would consider type, location and scale of the project; the nature and magnitude of the potential risks and impacts; and the capacity and commitment of the Borrower to manage such risks and impacts. This approach will encourage Borrowers to focus on the actual risks and impacts of the project, and enables the Bank to allocate resources to projects that most need them. Importantly, the Bank would evaluate the risk rating of a project, and change it as needed to ensure an appropriate level of support and oversight is provided. Management intends to prepare guidance for staff on the application of the risk classification, and this will be shared with EDs' advisors over the following months for comment.

BORROWER'S COMMITMENTS

Q: Where will the Borrower's obligations be set out, and how will the Bank ensure that the Borrower complies?

A: The Bank will work with the Borrower to develop an Environmental and Social Commitment Plan (ESCP), which will form part of the legal agreement. The obligations of the Borrower will be set out in the legal agreement, and will include an obligation to ensure that the project meets the Environmental and Social

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Standards. The ESCP will set out the material measures and actions required of the Borrower to mitigate environmental and social impacts. It will be a living document, and, as necessary, will develop over time responding to the needs to the project. The legal agreement will include obligations on the Borrower to support the implementation of the ESCP, and specify remedies for the Bank in the event that the Borrower does not comply with its commitments. The Bank will continue to ensure that Bank funds are being used in accordance with the legal agreement, including the ESCP. Bank monitoring and implementation support will continue until the completion of the project. Grievance mechanisms will be established by the Borrower to address stakeholder concerns.

SPECIFIC ISSUES ADDRESSED BY THE PROPOSED ENVIRONMENTAL AND SOCIAL STANDARDS

Q: Will the proposed framework weaken existing provisions to protect the environment, Indigenous Peoples and the poor?

A: No. The ongoing review and update of the World Bank's safeguard policies is aimed at broadening and strengthening the environmental and social protections in Bank-financed projects. The new proposed Environmental and Social Framework builds on the existing safeguards by consolidating them into a unified framework. This will improve the efficiency of application and implementation, which in turn will improve the effectiveness of the protections on the ground. The new framework also expands the coverage of existing safeguards by adding protections specifically on labor and on emerging risks, such as project impacts on climate change. Further, non-discrimination has been introduced as a core principle of the World Bank's Environmental and Social Framework, which stands for a renewed commitment to protecting the poor and other vulnerable groups from adverse impacts caused by Bank-financed projects.

Q: How does the new framework treat vulnerable and disadvantaged groups?

A: The proposed framework is very specific about the treatment of vulnerable or disadvantaged groups. It requires that the environmental and social assessment consider the risk that (i) the project impacts fall disproportionately on such groups and (ii) any prejudice or discrimination towards individuals or groups, including the vulnerable and disadvantaged, in providing access to development resources and project benefits. Where groups have been identified as vulnerable or disadvantaged, the Borrower is required to implement differentiated measures to address these risks.

Q: How are children protected?

A: Children are addressed in a number of ways in the proposed framework. Firstly, they are explicitly included in the description of 'disadvantaged or vulnerable', which means that the environmental and social assessment must assess the impacts on them in the context of the project. The definition makes it clear that considerations relating to age include minors, including in circumstances where they may be separated from their family, the community or other individuals on which they may depend. With respect to labor, the framework contains requirements on prohibiting the employment of children under the age of 18 in connection with the project in a manner which is likely to be hazardous or interfere with the child's education or be harmful to the child's health or physical, mental, spiritual, moral or social development.

Q: What is the Alternative Approach for Indigenous Peoples?

A: The proposed alternative approach would only be used in exceptional circumstances, and only if the Bank is convinced that it is necessary. Any alternative approach requires approval by the Board of Executive Directors.

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There are two circumstances in which application of the alternative approach may be requested by a Borrower: (a) to avoid a serious risk of exacerbating ethnic tension or civil strife or (b) where identification of Indigenous Peoples is inconsistent with the constitution of the country. The Bank will require a detailed procedure to be followed. This procedure will include consultations with the affected Indigenous Peoples. The World Bank will have sole responsibility for deciding whether the approach can be used. If an alternative approach is adopted, risks and impacts on Indigenous Peoples will be addressed through the application of the other Environmental and Social Standards.

Q: What does the proposed framework say about requirements to conduct prior consultation with Indigenous Peoples, particularly where the project will be developed on Indigenous Peoples traditional land?

A: The proposed framework aims to extend protections for Indigenous Peoples, and introduces the requirement to obtain the Free, Prior and Informed Consent of Indigenous People in specified circumstances. The proposed requirements apply when a Borrower intends to locate a project, or commercially develop natural resources, on land traditionally owned by, or under the customary use or occupation of Indigenous Peoples, and adverse impacts are expected.

Q: Does the proposed framework continue to protect ecologically sensitive areas?

A: The new framework would strengthen the conservation of biodiversity and the management of living natural resources, including forests. The proposed framework builds upon the existing policies on natural habitats and forests and strengthens requirements for assessing and mitigating impacts of Bank-financed projects on biodiversity. The proposed framework retains the existing prohibitions of the natural habitat policy, and states that Bank funds cannot be used to finance or support plantations that involve the conversion or degradation of critical habitats. The proposed framework improves the current safeguards by introducing more stringent requirements and by providing more clarity on how risks and adverse impacts on all natural habitats must be mitigated.

Q: Will the new framework set out clear requirements so that the World Bank can assess whether Borrowers comply with the Environmental and Social Standards?

A: The new framework proposes that the ten Environmental and Social Standards with their mandatory requirements will always apply to a project. Under both the current safeguard policies and the proposed Environmental and Social Framework the Borrower will be required to conduct a comprehensive assessment of the social and environmental risks of the project. The environmental and social commitment plan, agreed between the World Bank and the Borrower and forming part of the legal agreement, will record the mitigation measures and actions required of the Borrower, including the timelines in which these must be implemented.

Q: How will the proposed labor requirements impact Bank funded projects?

A: The proposed Environmental and Social Framework introduces stronger focus on protecting workers. The proposed standard integrates the existing provisions of the Bank's Environmental Health & Safety Guidelines regarding occupational health and safety, and expands them to address issues such as child and forced labor, terms and conditions of employment, non-discrimination and equal opportunity.