United Kingdom statement on the World Bank Safeguards Review

25 January 2016

The UK welcomes the progress made in the second draft of the revised World Bank Environmental and Social Framework (ESF). We recognise the World Bank’s substantial efforts to consult widely with various stakeholders, and hope that the review can be finalised quickly once this third and final round of consultations is completed.

The review comes at a critical time. The development context is changing and the World Bank must adapt to become a more agile and responsive organisation if it is maintain its status as a leading development institution. To this end, the new Safeguard Framework must move the Bank away from a place where risk management is seen as a cumbersome bureaucratic process that slows down the development process whilst failing to manage critical risks adequately. Currently many WB projects take too long to get started. The WB needs to deliver faster by managing risks in a proportionate and agile way throughout the life of a project. Another key test of the proposed Framework should be whether the new approach will improve the impact and sustainability of the Bank’s projects and clients’ capacity to manage social and environmental risks over time.

This statement sets out suggestions where the UK thinks the Framework might be further improved, particularly with regard to getting implementation of the new risk based approach right, and where further clarity and information is still needed.

General comments on overall approach and application of Framework

For the new framework to be a success it needs to be implementable across the wide spectrum of countries where the Bank works. We want the Bank to uphold appropriate standards which adequately protect people and the environment in its client countries. At the same time it is critical to have a practical policy framework that incentivises clients and staff to monitor, manage and update risks in a proportionate way in order to achieve good development outcomes. To this end, the UK strongly supports the proposed **risk based approach**. This should more efficiently and effectively target resources where they are most needed. It should move us away from an overly heavy focus on up front compliance towards a greater emphasis on implementation and achieving the right outcomes. If done successfully, this approach should improve the treatment of environmental and social risks whilst ensuring projects are delivered in a timely and efficient manner.

We welcome the changes to the new Framework which reflect this different approach. However, a lot of detail remains to be worked out in this third and final consultation phase. We note that the papers accompanying this second draft provide significantly more information on how this will be done. Nonetheless, we expect management to go further in setting out an implementation plan for effectively rolling out an adaptive and flexible
approach to managing project risks with greater attention given to monitoring and supervision. This will require a significant culture change within the organisation, which should not be underestimated. It will also be critical that the Bank has the right staff with the right skill set in the right places to be able to appropriately monitor, manage and update the risk profile of its portfolio without creating additional burdens.

We welcome the commitment to use borrower frameworks where they will achieve objectives that are materially consistent with the Bank’s standards. This is good practice for building country ownership, ensuring sustainability and avoiding unnecessary delay. We look forward to further clarity on how the Bank will assess the adequacy of borrower frameworks, drawing on appropriate evidence to assess the quality of country systems in practice not just on paper. In addition, capacity building for clients will be equally vital to help clients to develop frameworks that can be used. This is core World Bank business and should be achieved through the Bank’s own budget and projects rather than through a reliance on a multi-donor trust fund.

The UK recognises that the Bank can make a positive contribution towards the practical realisation of human rights through its investments, supported by the application of its environmental and social standards. Language affirming this in the vision statement is therefore welcome. We will continue to support efforts to find language on human rights that can secure broad support that does not imply any diminution of the commitments made by individual states.

Individual standards

We welcome the commitment in Environmental and Social Standard ESS1 on non-discrimination and the strengthening of the Framework with regards to protections for vulnerable and marginalised groups. Addressing such risks is essential to ensure the Bank remains a modern and world-class development organisation. We encourage the review team to ensure that references to non-discrimination are systematic and consistent across the standards and that clear definitions are given to key criteria, for example accessibility for persons with disability.

We welcome the introduction of a new standard on Labour and Working Conditions – ESS2 – and the addition of requirements for freedom of association and the right to collective bargaining in the latest draft. Again, this is critical to ensure the Bank remains a world-class development organisation. The scope of coverage has also been extended to cover contractors, primary supply workers and workers involved in community labour. Given that these are new requirements for the Bank, we encourage management to work with borrowers to ensure that the Framework is practically implementable across the range of investments that the Bank works.

We welcome the requirement in ESS3 for borrowers to consider impacts on climate change. It would be helpful if the Bank could have a clearer narrative
on how climate impacts and vulnerabilities are addressed through the Framework. We recognise that the Bank’s operational response to the development challenges and opportunities posed by climate change impacts go far beyond the proposed ESF. In this respect, we welcome the recent commitment to increase the World Bank Group’s climate financing to 28% of all investments by 2020.

Well-managed resettlement, where this cannot be avoided, is one of the most important ways in which the Bank must ensure that its investments do no harm. Recently, internal reports have identified serious shortcomings in the implementation of the Bank’s existing resettlement policies and we welcome the President’s commitment to do better in future, for all people whose property rights to land and assets may be affected. The proposed ESS5 is significantly improved compared to the previous draft and we welcome the changes made, including clarification that the risks associated with land titling and related activities will be covered by the Framework. A remaining concern is that public interest does not feature as a justification for compulsory purchase (‘eminent domain’). We believe it is critical to include the public interest, as defined within the particular national context, to ensure that disruption to people’s homes and land only happens if it is necessary for the public good.

We welcome the attention to Biodiversity Conservation and Sustainable Management of Living Natural Resources in ESS6 and the ambition that Bank funds cannot be used to finance or support projects that would involve a significant conversion or degradation of critical habitats.

We support the changes in the new draft ESS7 for protecting Indigenous Peoples in line with international practice. We recognise that this remains a sensitive area for some countries and trust that the workshop in Ethiopia on this issue in February will help to find a resolution that maintains adequate protections.

We look forward to learning more about the outcome of further road-testing of the proposed Framework using a series of case studies. In particular, we will be keen to understand how the new Framework will be able to mitigate the harms identified in recent Inspection Panel investigations, especially those associated with using Financial Intermediaries through the application of ESS9.

We welcome the requirements set out in ESS10 for increased and ongoing stakeholder engagement throughout the project cycle, including increased access to grievance mechanisms.

Review

The commitment to review implementation of the ESF six months after approval and annually thereafter is welcome and important.

Scope
We recognise the need to tailor environmental and social risk management to specific financial instruments. The current review covers Investment Project Financing (IPF). However, once this review is finalised, the approach to environmental and social risk management in Development Policy Financing (DPF) and Program for Results (PforR) should be updated to ensure alignment across the Bank’s instruments.