



30 April 2013

Dear Motoko, Stephen, Charles, Colin and members of the World Bank Safeguard Review Team

The Bank Information Center is pleased to submit our proposal for a **policy on environment and social assessment and management (ESAM)**. This ESAM policy proposal is an initial statement on priorities for the Bank to strengthen OP 4.01 to bring the Bank into line with the highest international standards for ESAM. The submission includes the following items:

- ESAM operational policy statement
- ESAM appendix A (with annexes)
- Summary of priority recommendations
- DPL primer
- Graph indicating decline in OP 4.01 coverage for the World Bank portfolio
- Explanation of data coding for OP 4.01 coverage graph

The ESAM model policy submission reflects inputs from a wide range of contributors. The priority reforms outlined in the proposal include restoring the scope of ESAM coverage to all Bank instruments, ensuring a policy architecture that preserves clear Bank requirements in all stages of the project cycle, enhanced quality of ESAM through a simpler definition of significant risk, use of SESA to improve pre-project risk assessment, requirements for routine use of cumulative impact assessment and consideration of climate change risks, expanded coverage of social risks such as the child rights and disability rights, and a shift in focus on measures to guarantee the implementation of environment and social management plans and frameworks. The proposal outlines more objective criteria to screen the use of framework and borrower systems instruments. However, as per Bank policy, the Bank should avoid support for subprojects with significant risks through frameworks or systems and exclude any such Category A activity from Program for Results support.

This initial policy statement is limited by the pending questions about policy architecture, scope, emerging issues and other aspects for which independent expert panels have been convened, case study research is progressing, or the Bank has yet to signaling its preferences. Our proposal will evolve as we learn more from the Safeguard review process and the Bank indicates more clearly a direction for a new safeguard policy framework.

As such, a number of issues remain incomplete in our submission, due to a lack of information from the Bank. For example, the proposed policy Appendix has not yet distinguished language that might belong in procedures or guidance until we understand how the Bank will define these instruments as binding or not. Future changes along these lines may allow us to further consolidate and improve this policy proposal.

Some issues remain bracketed, which indicates pending clarification. For example, BIC is committed to the integration of human rights into environmental and social assessment at the

AMPLIFYING LOCAL VOICES TO DEMOCRATIZE DEVELOPMENT

Bank. We are awaiting the results of the April 20 expert session on human rights and other inputs before finalizing our own recommendations for how the Bank should achieve this integration in the current draft.

Effective implementation of the recommendations outlined in the ESAM policy proposal will depend on an implementation plan that details specific reforms to the Bank's incentive systems and management structure, which will be detailed in a forthcoming collective submission to which BIC will contribute.

We look forward to discussing our proposal with you and understanding better your views on how to ensure the World Bank's leadership in safeguard standards.

Regards,

Vince McElhinny and the Safeguard Team at BIC

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Model Policy Proposal: Environmental and Social Assessment and Management (ESAM) Safeguard Policy

Submission to the World Bank Safeguard Policy Review (April 2013)

Discussion Draft

Note: Bracketed text indicates areas pending agreement

BIC assumes responsibility for any errors, but acknowledges the significant contributions of many persons and partner organizations to this draft.

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Appendix A: ESAM Policy Requirements

ENVIRONMENT AND SOCIAL ASSESSMENT AND MANAGEMENT SAFEGUARD POLICY

Introduction

1. The Bank requires environmental, social and human rights assessment and management (ESAM) of activities (including for example, projects, programs, subprojects, policy loans and country strategies) proposed for Bank financing to help ensure that they are environmentally sound and sustainable, and thus to improve decision making.
2. This policy statement and its appendix and annexes are binding parts of the ESAM safeguard operational policy and apply to all stages of the project cycle, including pre-identification planning, preparation and implementation. ESAM for Bank-related activities must ensure similar treatment for similar risks.

Objectives

3. The objectives of WB's ESAM safeguard policy are to:
 - (i) enable early identification of potential environmental and social/human rights risks; examine project alternatives; identify ways of improving project selection, siting, planning, design, and implementation by a rigorous application of the mitigation hierarchy -- preventing, or when prevention is impossible, minimizing, mitigating, compensating, or ensuring a remedy for adverse environmental, social and human rights impacts and enhancing positive impacts; The Bank favors preventive measures over mitigatory or compensatory measures, whenever feasible.
 - (ii) enhance positive economic, social and environmental impacts of Bank investments
 - (iii) improve predictable, transparent and accountable decision making, including meaningful, informed and accessible participation by affected people and the public.
 - (iv) help borrowers/clients to develop the capacity and strengthen their systems to manage environmental and social risks that provides predictable, transparent and accountable decision making, which result in meaningful, informed and accessible participation by affected people and the public.

Principles

4. Refer to Appendix A for ESAM Principles

Scope of Coverage

6. This policy applies to all WB-financed and/or WB-administered sovereign and non-sovereign projects, planning decisions (including Country Assistance/Partnership Strategies), program and policy operations and their components (including subprojects) and as appropriate, associated facilities or co-financed activities, that may have environmental and social risks or impacts regardless of the source of financing, including investment projects funded by a loan; and/or a grant (including trust funds); and/or other means, such as equity and/or guarantees (**hereafter broadly referred to as projects**).

Roles and Responsibilities

7. **World Bank roles and responsibilities.** WB adheres to the safeguards and ensures their implementation. The WB assumes the responsibility for assessing risk at a strategic level through the country assistance strategy (para. 14) and the preparation of a country environment assessment, screening projects for an initial understanding of potential environmental and social risk to specify WB's safeguard requirements (para 13), for conducting due diligence (para 26), and for reviewing, monitoring, and supervising projects (para 28-30) throughout the WB's project cycle in conformity with the principles

and requirements embodied in the ESAM Operational Policy. The WB ensures that activities, including projects and subprojects, on the presumptive list of Category A activities (see Appendix A, Annex B) are presumed to be classified as Category A. In the event that the borrower rebuts this presumption, the WB reviews and make public such evidence as well as the Bank's final determinations related to the presumption. The Bank conducts independent evaluation of project performance.

8. The Bank reviews the findings and recommendations of the environmental and social management plan/impact assessment (ESMP/ESIA), including proper disclosure and consultation, to determine whether it provides an adequate basis for processing the project for Bank financing, and is responsible for borrower compliance with the Bank's ESAM requirements. When the borrower has completed or partially completed ESAM work prior to the Bank's involvement in a project, the Bank reviews the ESAM to ensure its consistency with this policy. The Bank may, if appropriate, require additional ESAM work for projects that have already advanced prior to the Bank's involvement, including public consultation and disclosure. The Bank provides adequate support to enhance borrower capacity to meet policy requirements. The Bank may, if appropriate, require additional EA work, including further disclosure and consultation.
9. The WB does not finance projects that do not comply with its ESAM policy and procedures, nor does it finance projects that do not comply with the host country's social and environmental laws and regulations, including host country obligations under international law. In addition, WB does not finance activities on the prohibited investment activities list (Appendix A, Annex C).
10. **Roles and Obligations of Borrower/Client.** The borrower/client is responsible for carrying out the ESA to assess proposed projects and their environmental, social [and human rights impacts], preparing safeguard plans, and engaging with affected communities through information disclosure (para 22), meaningful consultation, and informed participation (para19-21) in compliance with all policy principles and safeguard requirements.
11. For Category A projects, the borrower retains independent ESAM experts not affiliated with the project to carry out the ESA.¹ For Category A projects that are contentious or that involve serious and multidimensional environmental and social concerns, the borrower should normally also engage **an advisory panel** of independent, internationally recognized environmental and social specialists to advise on all aspects of the project relevant to the ESA.² The role of the advisory panel depends on the degree to which project preparation has progressed, and on the extent and quality of any ESA work completed, at the time the Bank begins to consider the project.
12. Refer to Appendix A for additional policy requirements on roles and responsibilities of Bank, Borrower, and Third Parties.

Environmental and Social Screening

13. **Screening and Categorization.** WB screens and categorizes all Bank funded projects for social and environmental risks and impacts at the earliest stage of project preparation. Screening identifies assessment requirements necessary to respond to environmental and social risks and impacts. Screening and categorization is undertaken to (i) reflect the significance of potential impacts or risks that a project might present; (ii) identify the level of assessment and institutional resources required for the safeguard measures; and (iii) determine disclosure requirements. A project's category is determined by the category of its most environmentally sensitive or highest risk social component, including direct, indirect, associated, cumulative, and induced impacts in the project's area of influence.³ Each proposed project is scrutinized as to its type, location, scale, and sensitivity and the magnitude of its potential environmental and social impacts. Projects are assigned to one of the following four categories:
 - (i) **Category A.** A proposed project is classified as category A if it may have significant environmental and social impacts within its area of influence. The cumulative impacts of a collection of subprojects may warrant an "A" categorization, although the individual subprojects are of a scale that would place them in a lower category. An environmental and social impact assessment is required. See Appendix A, Annex B for presumptive list of

Category A activities and Section IV for additional requirements for different finance modalities for further categorization requirements.

- (ii) **Category B.** A proposed project is classified as category B if its potential environmental and social impacts within its area of influence are not significant. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. An environmental and social assessment is required. However the ESA scope is typically narrower than for Category A projects, but may vary depending on the project.⁴
 - (iii) **Category C.** A proposed project is classified as category C if it is likely to have minimal or no adverse environmental or social impacts. No environmental or social assessment is required although environmental and social implications need to be reviewed.
14. Country Assistance Strategies (CAS/CPS) do not receive a risk categorization, but are otherwise treated like, and comply with the requirements for, Category A operations.

Content of ESAM

15. ESAM is a process whose breadth, depth, and type of analysis depend on the nature, scale, and potential environmental and social impact of the proposed activity. **ESAM examines project, program, and policy alternatives** based upon independent, and accountable **cost-benefit analysis** that **price all relevant externalities**; identifies ways of improving project selection, siting, planning, design, and implementation by rigorous application of the mitigation hierarchy.
16. ESAM takes into account the natural environment (air, water, and land); individual human and community health and safety; **social aspects** (involuntary resettlement, indigenous peoples, and physical cultural resources,⁵ and **human rights** related to development, including but not limited to rights associated with indigenous peoples, land, gender, labor, disability, children, and the elderly); ESAM includes direct, indirect, associated facility, **cumulative**, transboundary and **global environmental impacts** such as climate change, ozone-depleting substances, pollution of international waters, and adverse impacts on biodiversity. (**See Appendix A, Section III. Emerging Issues, para. 33-52**)
17. The Pollution Prevention and Abatement Handbook⁶ describes pollution prevention and abatement measures and emissions levels that are normally acceptable to the Bank. However, taking into account borrower country legislation, and local conditions, the ESA may recommend alternative, more stringent emission levels and approaches to pollution prevention and abatement. The ESA must provide full and detailed justification for the levels and the approaches chose for the particular project or site.
18. ESAM considers environmental and social aspects in an integrated way. It also takes into account the variations in project and country conditions; the findings of country environmental studies; national environmental action plans; the country's overall policy framework, national legislation, and institutional capabilities related to the environment and social aspects; and obligations of the country, pertaining to project activities, under relevant international environmental treaties and agreements. ESA is initiated as early as possible in project processing and is integrated closely with the economic, financial, institutional, social, and technical analyses of a proposed project.
19. All ESAs are annexed to the primary ESA tool - an environmental and social management plan (ESMP), and for some projects and programs, an environmental and social management framework (ESMF) or system (ESMS).⁷ An environmental and social post-audit is required for program and framework lending with significant or moderate risks and impacts. All ESAM ensures adequate baseline information, skill mix, budget, and timing. ESMP/ESMF mitigation measures focus on top ranked impacts, agreed upon, scheduled, with identified responsibilities and specified durations. Total social and environmental budget is fully integrated part of overall project cost.
20. For additional requirements on EA content see Appendix A

ESAM Instruments:

21. Depending on the project, program, policy, or plan, a range of instruments can be used to satisfy the Bank's ESAM requirement: environmental and social impact assessment (ESIA), regional or sectoral ESA, cumulative impact assessment (CIA), strategic environmental and social assessment (SESA), community-driven ESIA (CDESIA), environmental and social audit, hazard or risk assessment. An environmental ESA applies one or more of these instruments, or elements of them.
22. Selection and application of ESAM instruments for different types of Bank operations is covered in Appendix A, Section IV.

Public Consultation and Participation

23. For all Category A operations,⁸ particularly those requiring an ESMS or ESMF, public consultation begins as part of country dialogue and be consistent with procedures in Appendix A. The borrower prepares a **stakeholder participation plan**, which provides for formal consultation at least twice during project preparation: (a) shortly after environmental and social screening and before the terms of reference for the ESA or SESA (each including an ESMS or ESMF as appropriate) are finalized; and (b) once a full draft ESA report is prepared. For the activity to advance, free, prior, informed consent of indigenous peoples...must exist. Broad community support of other local communities must exist after the for Category A operations to advance.⁹ In addition, the borrower consults communities throughout project implementation as necessary to address ESA-related issues that affect them. For projects with significant adverse environmental or social impacts, WB project teams are to ensure that affected people are aware of World Bank involvement and are to participate in consultation activities to understand the concerns of affected people and ensure that such concerns are addressed in project design and safeguard plans.
24. The Bank requires all stakeholder participation plans to ensure that consultations are meaningful. Meaningful consultation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle, as described above; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is inclusive and responsive to marginalized, discriminated-against, and vulnerable groups, with attention to gender; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, grievance mechanisms and implementation issues; (vi) is designed to include persons with disabilities in all consultations, and (vii) includes a comprehensive discussion of environment and social issues, not limited to the harm prevention objective, but also the areas where ESAM can contribute to social, environmental and economic benefits.
25. Meaningful consultation includes the design of loan covenants, results frameworks, the full menu of mitigation hierarchy options, and the sharing of costs and benefits. Such consultation may result in a **Community Development Agreement**, see Appendix A, Annex A for definition, and Annex E for more on ESMP).

Access to Information¹⁰

26. Full and timely public availability of environmental and social/human rights information, in an accessible place and in a language and form understandable to affected people and the public, is essential for meaningful consultation, informed Bank decision making, and the social, environmental, and economic sustainability of Bank operations. Disclosure requirements for each of the different types of Bank actions covered by this policy are set forth in Appendix A

Due Diligence and Review.

27. For projects proposed for financing, WB conducts safeguard reviews, including reviews of the borrower's/client's safeguard documents, as part of its overall due diligence. WB's safeguard due

diligence and review emphasizes environmental and social impact assessments and the planning process, in addition to safeguard documentation. Due diligence and review requires field visits in addition to desk reviews, which provide due consideration of third party information. Through such due diligence and review, WB confirms (i) that all key potential social and environmental impacts and risks of a project are identified through the appropriate ESA; (ii) that effective measures to apply the mitigation hierarchy for the adverse impacts are incorporated into the safeguard plans, project design and implementation;¹¹ (iii) that the borrower/client understands WB's safeguard policy principles and requirements as laid out in **Appendix A** and **has the necessary commitment and capacity to manage social and environmental impacts and/or risks adequately**; (iv) that the role of third parties is appropriately defined in the safeguard plans; (v) that consultations with affected people are conducted in accordance with WB's requirements; and (vi) that the affected communities have been informed of and understand their right to access the World Bank's Inspection Panel at the earliest possible stage in the project cycle.

28. If the Bank is not satisfied that adequate capacity exists for carrying out ESA, including for all Category A subprojects and, **as appropriate**, Category B subprojects--all ESA is subject to prior review and approval by the Bank and the project includes component(s) to strengthen that capacity.¹² In cases where the assessment and planning process, or the safeguard documents, do not meet WB's safeguard requirements, the borrower is required to undertake additional assessment and/or improve the safeguard plans prior to project approval. For projects that are deemed by WB to be **highly complex and sensitive**,¹³ WB requires the borrower/client to engage an independent advisory panel during project preparation and implementation.

Implementation¹⁴

29. Achieving the objectives of this policy require effective, accountable implementation. Both the borrower/client and WB have their own separate monitoring responsibilities. The extent of monitoring activities, including their scope, periodicity and requisite skill mix, is commensurate with the project's risks and impacts and Bank indication of adequate risk management. Borrowers/clients are required to implement safeguard measures and relevant safeguard plans, as provided in the legal agreements, and to submit periodic monitoring reports on their implementation performance. The details of these requirements are outlined and disclosed prior to project approval in the ESMP or ESMF. The Bank adjusts the supervision plan based on assessment of overall project risk management.
30. WB reviews project performance against borrowers' commitments as agreed in the legal documents. The extent of WB's monitoring and supervision activities are commensurate with the project's risks and impacts, as defined in the ESMP or ESMF. Monitoring and supervising of social and environmental safeguards is integrated into the **project performance management system**, which includes social and environmental outcome indicators that enable the tracking of safeguard costs and benefits. WB monitors projects on an ongoing basis until a project completion report is issued.
31. Additional, specific implementation requirements for the Bank are set forth in Appendix A.¹⁵ If a borrower/client fails to comply with legal agreements on safeguard requirements, including those described in the safeguard plans and frameworks, WB seeks corrective measures and work with the borrower/client to bring it back into compliance. If the borrower/client fails to reestablish compliance, then WB may exercise legal remedies, including suspension, cancellation, or acceleration of maturity, that are available under WB legal agreements. Before resorting to such measures, WB uses other available means to rectify the situation satisfactory to all parties to the legal agreements, including initiating dialogue with the parties concerned to achieve compliance with legal agreements.

Accountability

32. **Local Grievance Redress Mechanism.** The borrower/client establishes and maintains an independent grievance redress mechanism to receive and facilitate resolution of affected peoples' concerns and grievances about the borrower's/client's social and environmental performance at project level. The grievance redress mechanism is scaled to the risks and impacts of the project. It addresses affected people's concerns and complaints promptly, using an understandable and transparent process that is gender responsive, responsive to marginalized, discriminated against and vulnerable groups, culturally

appropriate, and readily accessible to all segments of the affected people at no costs and without retribution. The mechanism should not impede access to the country's judicial, administrative, or alternative dispute resolution remedies. The borrower/client maintains a publicly available registry of complaints received, with identifying information of the complainants removed.

33. **Inspection Panel.** The borrower/client informs project-affected communities of the Inspection Panel and its procedures whereby people adversely affected by WB-financed projects can voice, and seek a resolution of their problems, as well as report alleged violations of WB's operational policies and procedures.¹⁶ Information related to the existence, the role of, and access to the Inspection Panel, including brochures and other resources provided by the Inspection Panel, should be publicly available, including by the local grievance mechanism.

¹ The borrower ensures that when individuals or entities are engaged to carry out EA activities, any conflict of interest is avoided. For example, when an independent ESA is required, it is not carried out by the consultants hired to prepare the engineering design.

² The panel (which is different from the dam safety panel required under [OP/BP 4.37, Safety of Dams](#)) advises the borrower specifically on the following aspects: (a) the terms of reference for the ESA, (b) key issues and methods for preparing the ESA, (c) recommendations and findings of the ESA, (d) implementation of the ESA's recommendations, and (e) development of environmental management capacity. Panelist independence must be based on no conflict of interest regarding past, present or future contractual relationships with the Bank or the client. See Appendix A, Annex I for further panelist criteria and conditions under which a panel is required for projects that have progressed before Bank financing.

³ See Appendix A, Annex A for definitions. The area of influence for any project is determined with the advice of environmental specialists and set out in the ESA terms of reference.

⁴ See Appendix A, Section II.

⁵ See [OP/BP 4.12, Involuntary Resettlement](#); [OP/BP 4.10, Indigenous Peoples](#); and [OP/BP 4.11, Physical Cultural Resources](#).

⁶ "World Bank Group Environment, Health and Safety Guidelines (EHSGs) have replaced the 1998 Pollution Prevention and Abatement Handbook (PPAH). Guidelines as to what constitutes acceptable pollution prevention and abatement measures and emission levels in a Bank financed project can be found in the EHSGs. For complete reference, consult the World Bank Group Environmental Health and Safety Guidelines. Please check the website <http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines> for the most recent version."

⁷ These terms are defined in [Appendix A, Annex A](#). See Annexes F & G for ESMP, ESMF, and ESMS requirements.

⁸ This includes all Category A DPOs, P4R, FI, Country Systems, Framework IL or any other operations requiring a SESA and/or ESMF/ESMS.

⁹ For FPIC see OP 4.12.

¹⁰ For a further discussion of the Bank's disclosure procedures, see [The World Bank Policy on Access to Information](#).

¹¹ The Bank assesses proposed mitigation measures on the basis of transparent and fully described estimation of the residual risks, which compares the likelihood, affected population and magnitude of the risk with the likelihood and effectiveness of the remedy, based on evidence from the sector or the borrower's track record.

¹² This includes legal or technical capacity to carry out key ESA related functions (a) screen subprojects, (b) obtain the necessary expertise to carry out ESA, (c) review all findings and results of ESA for **individual subprojects**, (d) ensure implementation of mitigation measures (including, **where applicable**, an ESMP or ESMF), and (e) monitor environmental conditions during project implementation.

¹³ Highly complex and sensitive projects are projects that WB deems to be highly risky or contentious or involve serious and multidimensional and generally interrelated potential social and/or environmental impacts.

¹⁴ [See ILR OP 10.0 for *Project Supervision* and Guidance Note on Implementation Support for investment Lending].

¹⁵ See Appendix A, Sections IIIb, IIIc, and relevant implementation requirements outlined in Section IV.

¹⁶ See BP 17.55 and 1996 Clarification, and 1999 Clarification on the operational procedures for the Inspection Panel.



Appendix A: Environmental and Social Assessment and Management (ESAM) Safeguard Policy Requirements

Submission to the World Bank Safeguard Policy Review (April 2013)

Discussion Draft

Note: Bracketed text indicates areas pending agreement

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APPENDIX A: ENVIRONMENT AND SOCIAL ASSESSMENT AND MANAGEMENT REQUIREMENTS

I. INTRODUCTION

1. This section outlines the principles, specific procedural requirements and tools that borrowers/clients are required to meet when delivering environmental safeguards for projects supported by the World Bank (WB). It discusses the requirements for undertaking the environmental assessment process. These requirements include identifying and assessing impacts, including for emerging ESAM issues, planning and managing impact mitigations, preparing environmental assessment reports, disclosing information and undertaking consultation, establishing a grievance mechanism, and monitoring and reporting. The applicability of particular requirements is established through the environmental assessment process and compliance with the requirements is achieved through implementation of environmental management plans agreed to by WB and the borrower/client.

II. ENVIRONMENTAL AND SOCIAL ASSESSMENT AND MANAGEMENT PRINCIPLES

2. Use the standard categorization system established by the WB to identify and categorize environment and social risk associated with each Bank financed activity, including CAS/CPS, all types of investment lending, and all types of non-investment lending.
3. ESAM abides by the **precautionary approach** but proactively seeks to reverse environmental degradation and social inequity. No Bank project should leave a person more poor, vulnerable or less secure in terms of their human rights, or the environment more
4. ESAM should strengthen borrower institutional capacity and enhance both environmental governance and development impacts.
5. Risk screening and analysis of alternatives begins with the **Country Assistance Strategy**, which is based on a CEA/SESA and informs the Bank's future investment priorities, and the distribution of their costs and benefits.
6. A screening process for each proposed project should begin as early as possible to determine the appropriate extent and type of assessment so that appropriate consultation and analysis are undertaken and borrower capacity is strengthened commensurate with the **significance** of potential impacts and risks. Use of experts vetted by WB to verify risks, and make public via the WB website, and provide to local communities, results of the screening process 60 days prior to initiation of the assessment process.
7. Conduct an assessment for each proposed project to identify potential direct, indirect, **cumulative**, and induced impacts and risks to physical, biological, human rights (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues, among other issues), and physical cultural resources in the context of the project's **area of influence**. Assess potential transboundary and global impacts, including climate change.
8. Use **strategic environmental and social assessments** for Bank finance or support of policies, programs or plans that pose significant risks, and for which mitigation options involve multi-sectoral responsibilities, or the use of borrower systems with subproject investments in multiple locations that can reach national geographical scope.
9. Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts, prioritizing selection of low or no impact alternatives and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.
10. Rigorously apply the **mitigation hierarchy**. Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of planning and management.

11. Prepare a streamlined **environmental and social management plan (ESMP)** that clarifies the proposed priority mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, including any community development agreements (CDAs), capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for ESMP preparation include avoidance and mitigation of potential adverse impacts to the level of no significant harm to third parties, and the polluter pays principle.
12. Project cost benefit analysis is required ex ante, where benefits can be defined, including full cost accounting of environmental and social externalities.
13. Carry out **meaningful consultation** with affected people and facilitate their informed participation throughout the project cycle.
14. Establish a **grievance redress mechanism** to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.
15. All draft environmental and social assessments are disclosed as an annex to the ESMP, and for some projects and programs, an ESMF. Each is disclosed in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental ESMP/ESMF, with attached ESIA, and its updates if any, to affected people and other stakeholders 180 days before board approval for operations with significant risks.
16. Implement the ESMP and monitor its effectiveness, including CDA provisions where applicable. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
17. Include indicators for significant social and environmental risks in the project results framework. Evaluate and publicly report these risks and impacts in project performance in an appropriate timeframe and format.
18. Apply pollution prevention and control technologies and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gas emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
19. The Bank supports efforts toward convergence and harmonization of ESAM policy and practice among the multilateral financial institutions, bilateral donors and other private and public partners.

III. ESAM GENERAL REQUIREMENTS

20. The borrower/client submits all required information, including assessment reports, safeguard plans/frameworks, and monitoring reports, to WB for review. The borrower/client must comply with host country laws, regulations, and standards, including host country obligations under international law. Furthermore, the borrower/client must implement safeguard measures agreed with WB to deliver the policy principles and meet the requirements specified in Safeguard Requirements. To ensure that contractors appropriately implement the agreed measures, the borrower/client includes the safeguard requirements in bidding documents and civil works contracts. Where national safeguard policies and regulations differ from WB's safeguard policy including requirements outlined in this Appendix, WB and the borrower/client formulates and agree on specific measures to ensure that WB's safeguard

policy principles and requirements are fully complied with.

(a) Environmental and Social Assessment

21. Environmental and social assessment is a process of analysis and planning to address the environmental impacts and risks associated with a proposed development activity. ESA begins with the negotiation of the country assistance strategy, specifically with the preparation and incorporation of a Strategic Environmental and Social Assessment (SESA) or Country Environmental Assessment (CEA) and related social or human rights assessments (see Section IV.1 for CAS SESA requirements).
22. At an early stage of project preparation, the borrower/client identifies potential direct, indirect, cumulative and induced environmental impacts on and risks to physical, biological, socioeconomic, and physical cultural resources within the project's area of influence and determine their significance and scope, in consultation with stakeholders, including affected people and concerned NGOs. If potentially adverse environmental and social impacts and risks are identified, the borrower/client undertakes an environmental and social assessment as early as possible in the project cycle. For projects with potentially significant adverse impacts, the borrower/client examines alternatives to the project's location, design, technology, and components that would avoid, and, if avoidance is not possible, minimize adverse environmental impacts and risks. The rationale for selecting the particular project location, design, technology, and components is properly documented, including, cost-benefit analysis, fully accounting for environmental costs and benefits of the various alternatives. . The "no project" alternative is also considered.
23. The assessment process is based on current information, including an accurate project description, and appropriate environmental and social **baseline data**. Such data is disaggregated for gender, disability, and other target groups for which patterns of systemic discrimination, marginalization or human rights risks are found. Gaps in baseline data requires a gap filling plan to be considered as a part of the ESMP or a prerequisite for project appraisal, as needed.
24. The environmental and social assessment considers all potential impacts and risks of the project on physical, biological, socioeconomic (occupational health and safety, community health and safety, vulnerable groups and gender issues, and impacts on livelihoods through environmental media) and physical cultural resources in an integrated way.ⁱ
25. The project's potential environmental impacts and risks is reviewed against the requirements presented in this document, applicable laws and regulations of the jurisdictions in which the project operates that pertain to environmental matters, and including host country obligations under international law.
26. Impacts and risks are analyzed in the context of the project's **area of influence**. This area of influence encompasses (i) the primary project site(s) and related facilities that the borrower/client (including its contractors) develops or controls, such as power transmission corridors, pipelines, canals, tunnels, access roads, borrow pits and disposal areas, and construction camps; (ii) **associated facilities** refer to new or additional works and/or infrastructure, including modifications and expansions important to the project, irrespective of the source of financing and not necessarily essential for a Bank-financed project to function ; (iii) areas and communities potentially affected by **cumulative impacts** from further planned development of the project, other sources of similar impacts in the geographical area, any existing project or condition, and other project-related developments that are defined or reasonably foreseeable at the time the assessment is undertaken; and (iv) areas and communities potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location. Environmental and social impacts and risks are also analyzed for all relevant stages of the project cycle, including preconstruction, construction, operations, decommissioning, and post closure activities such as rehabilitation or restoration.
27. The assessment identifies potential transboundary effects, such as air pollution, increased use or

contamination of international waterways, as well as global impacts, such as emission of greenhouse gases and impacts on endangered species and habitats.

28. The environmental and social assessment examines whether particular individuals and groups may be differentially or disproportionately affected by the project's potential adverse environmental impacts because of their marginalized, discriminated-against or vulnerable status, particularly, the poor, women and children, and Indigenous Peoples. [It is especially important where such individuals or groups are identified that the borrower adopts a human rights impact assessment approach and recommend targeted and differentiated measures so that adverse environmental impacts do not fall disproportionately on these groups whose rights are at risk.]
29. Depending on the significance of project impacts and risks, the assessment may comprise a full-scale **environmental and social impact assessment (ESIA)** for category A projects and for some Category B projects, a partial environmental and social impact assessment, and environmental and social audit or equivalent process for category B projects, or a desk review. An ESIA report includes the following major elements: (i) executive summary of the environmental and social management plan (ESMP), with the following annexes (ii) description of the project, (iii) description of the environment and social risk factors (with comprehensive baseline data), (iv) anticipated environmental social impacts and mitigation measures, (v) analysis of alternatives, (vi) consultation and information disclosure, and (vii) conclusion and recommendations. See Annex D for further details (see Annex D). A partial ESIA, with its narrower scope, may be conducted for projects with limited impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
30. When the project involves existing activities or facilities, external experts with expertise in these activities performs **environmental and social audits** to identify areas where the project may cause or is causing environmental and social risks or impacts. If the project does not foresee any new major expansion and has met WB safeguard policies, the audit constitutes the environmental assessment for the project. A typical environmental audit report includes the following major elements: (i) executive summary with the corrective action plan that provides the appropriate corrective actions for each area of concern, including costs and schedule, followed by the following annexes; (ii) facilities description, including both past and current activities; (iii) summary of national, local, and any other applicable environmental laws, regulations, and standards; (iv) audit and site investigation procedure; and (v) summarized findings and areas of concern. These experts must be accountable for their audits.
31. When the project involves the development of or changes to policies, plans, or programs that are likely to have significant environmental impacts that are regional or sectoral, or **strategic environmental and social assessment (SESA)** is required. A strategic environmental assessment report includes (i) an executive summary that describes the environmental and social management framework (ESMF) or system (ESMS); (ii) a stakeholder analysis and public participation plan; (iii) public communication and disclosure plan; (iv) an analysis of policy, legal and institutional capacity; (v) policy, program or plan description; (vi) baseline data; (vii) an assessment of long-term and indirect impacts; and (viii) analysis of alternatives with an explanation of option selection. (See Section D and Annex E for more detail)
32. Preparation for supervision begins during project preparation, when the Bank and borrower staff agree on arrangements for project implementation, including a monitoring and evaluation framework with safeguard performance indicators, a reporting and disclosure format and periodicity, an overall supervision plan that targets critical risks for project success and how those risks is monitored, including through independent, third party or community monitoring. The project supervision agreements are stated in the ESMP and as covenants in the legal agreement.

Emerging Issues of Environmental and Social Risk Assessment and Management

33. **Climate.**² The Bank and borrower should use the most complete and effective planning and assessment tools to ensure that investments are as low-carbon, pro-poor and sustainable as possible.

They should seek to understand the greenhouse gas emissions associated with an investment, as well as the vulnerability to climate change of both the investment and the people and ecosystems that the investment affects. The borrower should, with support from the Bank:

- a) Quantify the direct and indirect greenhouse gas and black carbon emissions of the project. *Direct emissions* include the direct impact of Bank's investment, such as the effects of a mining or infrastructure investment. *Indirect* emission emissions, should include both any electricity purchased to implement the project (so-called scope 2 emissions), as well as significant emissions resulting from use of the infrastructure or product resulting from the project (scope 3). Alternatives assessments and economic analysis should also take into account such emissions.
 - b) Assess the climate resiliency of supported investments and the impacts they have on the resiliency of local communities and ecosystems. Climate variability assessments should be conducted for investments that utilize ecosystem services altered by climate change, in order to measure projected resource availability and its effects on technical-economic feasibility, project safety, and affected communities.
 - c) Prioritize end-use resource efficiency improvements as a core climate and development strategy. The Bank advises borrowers in the identification of demand-side and supply-side efficiency measures and on transparent stakeholder engagement.
 - d) Require the use of Best Available Technology to control emissions of greenhouse gases and black carbon;
 - e) For investments in the electric sector, the World Bank requires borrowers to implement an Integrated Resources Plan (IRP) in order to more effectively assess risk and alternatives prior to project selection. The IRP process must be open and participatory, and must first prioritize both supply- and demand-side efficiency measures before opting for new generation.
 - f) Apply the mitigation hierarchy to issues of resource efficiency, energy use, and greenhouse gas and black carbon emissions, and allow for offsets only for emissions that cannot be avoided or reduced.³
 - g) Ensure coherence with country-led climate related strategies including low-carbon development strategies and nationally appropriate mitigation actions; national adaptation plans; national REDD+ strategies; and national action plans for short-lived climate pollutants.
34. **Ecosystem services.** ESA systematically addresses direct, indirect and cumulative risks and impacts on ecosystem services (also referred to as environmental goods and services), which link people with their environment. The operation's impacts on ecosystem services may result in adverse health and safety risks and impacts to affected communities as well as on the technical – economic feasibility of the project. For example, land use changes or the loss of natural buffer areas such as wetlands, mangroves, and upland forests that mitigate the effects of natural hazards such as flooding, landslides, and fire, may result in increased vulnerability and community safety-related risks and impacts. The diminution or degradation of natural resources, such as adverse impacts on the quality, quantity, and availability of freshwater, may result in health-related risks and impacts.
35. Where appropriate and feasible, the client identifies those risks and potential impacts on ecosystem services that may be exacerbated by climate change (and other stressors). The borrower explores alternatives and implements mitigation measures in accordance with the mitigation hierarchy.⁴ With respect to the use of and loss of access to provisioning services, clients implement mitigation measures.⁵ The costs and benefits of ecosystem services should be quantified to the extent possible and economic values should be disclosed and integrated into project cost benefit analysis where feasible. Ecosystem services valuation techniques, including carbon accounting, should be reflected both in terms of indicative inputs to appraisal and cost benefit methodology and measurement of the distribution of both costs and benefits.⁶

36. The World Bank mainstreams ecosystem biodiversity and protection of downstream livelihoods into water infrastructure investments by providing borrower incentives for maintenance of scientifically-appropriate levels of environmental flow. The World Bank requires borrowers to implement Climate Variability Assessments (CVA) for water infrastructure investments in order to measure projected hydrological flow and its effects on project safety and technical-economic feasibility.
37. **Cumulative impact assessment.**⁷ The World Bank requires borrowers to implement a Cumulative Impact Assessment and Management Plan prior to project approval as an integral part of the overall project ESIA when one or more Bank financed past, existing or reasonably foreseeable activities contribute to impacts on valued environmental and social components (VECS) that accumulate over time and space. The cumulative impacts should be assessed in terms of the capacity of the natural resource, ecosystem, and/or affected communities to accommodate such impacts. Cumulative impacts must be evaluated along with the direct and indirect impacts of the project alternatives including the no action scenario. Only by reevaluating and modifying alternatives in light of projected cumulative impacts can adverse consequences be effectively avoided or minimized. The range of actions that must be considered includes not only the project proposal but all connected and similar actions that could contribute to cumulative impacts. This would include associated facilities. Cumulative impacts must be included in the scoping phase of the ESIA.
38. The assessment of cumulative impacts is not substantially different from assessment of direct or indirect impacts. The same type of considerations is made to determine the environmental/social consequences of the alternatives for direct, indirect or cumulative impacts. Usually the cumulative assessment entails a more extensive and broader review of possible impacts. The selection of spatial and temporal boundaries should be based on the natural boundaries of the resources of concern (VECs) and the period of time that the proposed action's impacts persists, even beyond the life of the project, and this must be identified in conjunction with affected communities and scientific experts. Certain projects may result in cumulative impacts that are trans-boundary or global in scale.
39. CIA typically involves the following steps:
- Step 1 – Identify the incremental effects of the proposed project, policy, plan, or program on VECs within the environs of the project location. The VECs can be selected based on information related to current or anticipated future degraded or stressed conditions, the occurrence of protected species or habitats, and the presence or anticipated presence of other human activities that would (adversely) affect the same VEC. Information on incremental effects is also needed to address the direct and indirect effects from the proposed project. Further, once the VECs have been selected, they should be subject to each of the following five steps.
- Step 2 – Identify other past, present, and reasonably foreseeable future actions within the space and time boundaries that have been, are, or could contribute to cumulative effects (stresses) on the VECs or their indicators. Cumulative effects can generally be recognized as important on the basis of scientific concerns and/or concerns from Affected Communities. Based on this knowledge, identify appropriate spatial and temporal study boundaries for each VEC.
- Step 3 – For the selected VECs, unless excessively cost prohibitive, data is collected as needed to assemble appropriate information on their indicators, and describe and assess their historical to current conditions. The historical information should coincide with the selected past temporal boundary (or historical reference point). Further, and depending upon the availability of information, any identified trends in the conditions of the VECs and their indicators should be determined and analyzed. Further, comparisons to numerical standards or policies, or to identify thresholds of significance (carrying capacity), should also be presented for each VEC.
- Step 4 – “Connect” the proposed project (or plan, program or policy) and other actions in the CEA study area to the sustainability of selected VECs and their indicators in alternative scenarios. Numerous types of tools could be used to establish either descriptive or quantitative connections. Descriptive examples include questionnaires, indicators, conceptual models, matrices and networks, and scenarios. Quantitative examples include Matrices and networks,

Geographic Information Systems (GIS), Habitat suitability modeling, and other modeling. Predictions related to future VEC effects resulting from multiple actions may be problematic due to the absence of detailed information; however, identification of “up-or-down” changes in the VECs and their indicators can be useful. Finally, emphasis should be given to the aggregation of effects (that is, to the anticipated cumulative effects on each VEC).

Step 5 – Assess the significance of the cumulative effects on each VEC over the time horizon for the study. Such significance determinations should begin with the incremental effects (the direct and indirect effects) of the proposed action on specific VECs. The focus is on the VEC, not on the action. Criteria for such determinations of significance already exist within the EIA systems in numerous countries; as well as development banks and aid agencies. For example, the USA has a structured definition for significance based on considering the location; compliance with environmental media, natural resources and cultural resources laws and policies; and other factors such as risk, controversy, human values, etc.⁸ The same definition can and should be applied to significance determinations for the composited cumulative effects on the VECs. Further, the concept of environmental sustainability (including social and economic sustainability) should be considered both in relation to incremental effects and cumulative effects.

Step 6 – For VECs or their indicators that are expected to be subject to negative incremental impacts from the proposed project and for which the cumulative effects are significant, develop appropriate action-specific “mitigation measures” for such impacts. Further, if significant cumulative effects are anticipated on any VEC or its indicators, multi-stakeholder collaboration is required to develop joint cumulative effects management measures, either locally or regionally, or both.⁹

40. Examples of cumulative impacts include: incremental contribution of gaseous emissions to an air shed; changes to water flows in a watershed due to multiple withdrawals, abstractions, or quantity regulation; increases in sediment loads to a watershed; interference with migratory routes or wildlife movement or other biodiversity concerns; more traffic congestion and accidents due to increases in vehicular traffic on community roadways; and changes in the migration of human populations; and changes in the migration of human populations.
41. Cumulative impact assessments are a pre-requisite for any large dam, any cascade of dams planned in the same river basin, and for any associated facilities related to dam construction and operation. The World Bank requires borrowers to include in CIAs potential impacts on the entire length of a river network, including on coastal ocean areas, wetlands, and estuaries. Large dams and flow alteration can have downstream impacts on deltas, wetlands, and estuaries, which serve as important elements of coastal and marine ecosystems, and can serve significant functions for disaster risk reduction.
42. The Bank defines as Category A any project that produces cumulative impacts on identified VECs in a given spatial and temporal context. VECs that would require a cumulative impact assessment include water, air quality, and forest and aquatic biodiversity. Social VECs that would require a cumulative impact assessment include public health, labor migration, economic livelihoods, gender and social equity.
43. The borrower must share responsibility for cumulative impact mitigation plans and activities with relevant public and private actors existing in the identified scope of assessment. In the case of trans-boundary and regional development projects, responsibility for cumulative impacts mitigation plans and activities is shared between the borrower and respective public and private stakeholders responsible for the project and associated facilities in each country.
44. The Bank assists borrowers in applying the results of cumulative impacts assessment and management plans to iterative updates of country-level options and needs assessments, including in Strategic Environmental Social Assessments, River Basin Management Plans, and Integrated Resources Plans.

45. As part of an ESA, of investments in water infrastructure, the World Bank requires borrowers to implement an **Environmental Flows Assessment (EFA)** prior to approval. Data-driven, scientific environmental flows assessments establish flow benchmarks that assure the maintenance of downstream ecosystem, biodiversity, and community health. Borrowers are required to incorporate optimal environmental flows levels into hydropower planning, design, and operations.
46. **Human right impact assessment.** In high risk circumstances, it may be appropriate for the borrower to complement its environmental and social risks and impacts due diligence process with **specific human rights due diligence (human rights impact assessment)** as relevant to the particular operation.¹⁰ Depending on the context and specific nature of inter-related human rights risks, a HRIA may focus on any of the possible specific aspects of rights assessment, including but not limited to those identified below.
47. **Gender.**¹¹ Environmental and social assessment considers gender by requiring gender impact and risk assessment of the changing environment or landscape of livelihoods to women in regard to health, including reproductive health and general safety; specific measures are taken to involve women in any decision making in regard to environmental and social assessment, mitigation, resettlement and other safeguard related development plans; gender segregated baseline information is established on demographic, social, cultural, and political status; Specific measures are taken to assist displaced local and indigenous women in dealing with difficult situations triggered by involuntary resettlement activities; any project grievance mechanism is gender sensitive and responsive to women; specific measures are taken to acknowledge and consider female-headed households; ESAM risk analysis should recognize gender as an essential determinant of social and environmental outcomes.
48. **Persons with disabilities.**¹² Disability is systematically integrated in ESAM policy as a cross-cutting consideration, using United Nations Convention on the Rights of Persons with Disabilities (CRPD) as a model for World Bank safeguard requirements and guidance on disability. The Bank proactively includes persons with disabilities in all project consultations and in all stages of the project cycle. Disability must be included as a key indicator in any environmental and social impact assessment. World Bank must adopt binding disability rights standards to monitor borrowing countries' compliance. World Bank must ensure compliance with disability requirements is part of monitoring implementation of the safeguards based on clear internal standards established by World Bank Task Team Leaders.
49. To enhance the capacity of governments to uphold the rights of persons with disabilities, the World Bank must provide technical assistance to governments on disability mainstreaming and inclusion. To ensure effective implementation and monitoring of inclusive safeguards, the Bank must have disaggregated data on disability for all programs and projects that might have direct or indirect effects on persons with disabilities. Any and all public procurement policies must systematically take in to account accessibility and inclusion standards so that persons with disabilities and marginalized groups can benefit from all project and program outcomes.
50. **Children.** Environmental and social impact assessment specifically assesses the unique impacts of the project on children. This assessment examines the potential for the project to negatively impact the lives and development of children both directly and indirectly and should examine areas of risk including, but not limited to, the health and safety of children, the possibility that a child's access to education is interrupted or there is an increased likelihood that children leaves school entirely and the potential for increased economic or sexual exploitation of children, including child labor, prostitution and the sale and trafficking of children.
51. The assessment should also look at the potential for the project to increase economic stress on families or to contribute to a change in family circumstances which could put children at higher risk of exploitation and violence as well as increase the rate of malnutrition and reduce utilization of health care and education services. This analysis should be disaggregated to determine whether a project is likely to have differing impacts based on gender or to have more severe impacts on particularly vulnerable groups of children such as young children, indigenous children, children from racial or ethnic minorities, child workers, child-headed households, or children with disabilities.

52. **Land Tenure.**¹³ Any Bank project that has the potential to impact upon tenure rights, arrangements or systems ensures project design and approval is based on a publicly disclosed assessment (including analysis of the political economy issues) of the borrower country's legal, policy and institutional framework governing tenure; the ability of potentially affected persons to access the court system or alternative dispute resolution mechanisms and use them effectively to defend their tenure rights and interests, including against the State; and whether tenure systems and laws discriminate against women or other marginalized groups, as well as measures needed to reverse this discrimination.
53. The tenure assessment also examines:
- a) How the proposed operation could impact on existing tenure systems, rights and arrangements, and particularly less secure forms of tenure not fully recognized or protected by law or in practice.
 - b) How the proposed operation could impact on people's access to, use of and control over land, housing and natural resources, with a Bank preference to promoting equity.
 - c) The potential for the proposed project to instigate or exacerbate conflict over land or natural resources.
 - d) The implications of these impacts for the enjoyment of human rights, including the rights to housing, food, non-discrimination and equal protection of the law.
 - e) Alternative project designs and options, including a "no project option", to ensure that potential adverse impacts on tenure of housing, land and natural resources are avoided and minimized to the fullest extent possible.

(b) Environmental and Social Planning and Management

54. The borrower/client prepares an environmental and social management plan (ESMP) that prioritizes measures to apply the mitigation hierarchy to the potential impacts and risks identified by the environment and social assessment. The ESMP includes the proposed mitigation measures, environmental and social monitoring and reporting requirements, emergency response procedures, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators – particularly for ESAM safeguard implementation effectiveness. Where impacts and risks cannot be avoided or prevented, mitigation measures and actions is identified so that the project is designed, constructed, and operated in compliance with applicable laws and regulations and meets the requirements specified in this document. The level of detail and complexity of the environmental and social planning documents and the priority of the identified measures and actions are commensurate with the project's impacts and risks. Key considerations include mitigation of potential adverse impacts to the level of "no significant harm to third parties", the polluter pays principle, the precautionary approach, and adaptive management.
55. [If some residual impacts are likely to remain significant after mitigation, the ESMP also includes appropriate compensatory measures (offset) that aim to ensure that the project does not cause significant net degradation to the environment. Such measures may relate, for instance, to conservation of habitat and biodiversity, preservation of ambient conditions, and greenhouse gas emissions. Monetary compensation in lieu of offset is acceptable in exceptional circumstances, provided that the compensation is used to provide environmental benefits of the same nature and is commensurate with the project's residual impact.¹⁴]
56. The ESMP defines expected outcomes as measurable events to the extent possible and includes performance indicators or targets that can be tracked over defined periods. Safeguards performance is measured through the incorporation specific indicators as an integral part of the results frameworks of all operations, enhancing the Bank's ability to track and evaluate social and environmental outcomes at exit. Provisions for reporting on social and environmental performance in operation completion reporting is strengthened and are more verifiable through the adoption of environmental and social outcomes as a dimension of the overall rating for the project's development objective in the ICR (**See Annex H for safeguard outcome indicators**). It is responsive to changes in project design, such as a major change in project location or route, or in technology, unforeseen events, and monitoring results.

57. At times, a third party's involvement will influence implementation of the ESMP. A third party may be, inter alia, a government agency, a contractor, or an operator of an associated facility. When the third-party risk is high and the borrower/client has control or influence over the actions and behavior of the third party, the borrower/client collaborates with the third party to achieve the outcome consistent with the requirements for the borrower/client. Specific actions are determined on a case-by-case basis.
58. The borrower/client uses qualified and experienced experts to prepare the environmental assessment and the ESMP. For highly complex and sensitive projects, independent advisory panels of experts not affiliated with the project are used during project preparation and implementation.

(c) Access to Information

59. The borrower/client submits to WB the following documents for disclosure on WB's website:
- (i) a draft full ESIA (including the draft ESMP) at least 180 days prior to WB Board consideration before project appraisal, where applicable;¹⁵
 - (ii) the final ESIA/ESMP;
 - (iii) a new or updated ESIA/ESMP and corrective action plan prepared during project implementation, if any; and
 - (iv) the environmental and social monitoring reports.
60. The borrower/client provides relevant environmental information, including information from the documents listed above in a timely manner, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. For illiterate people, other suitable communication methods are used.¹⁶

(d) Consultation and Participation

61. The borrower/client carries out **meaningful consultation** with affected people and other concerned stakeholders, including civil society organizations, and facilitates their informed participation. Broad community support must be publicly documented before Board approval for investment lending, and the means for ensuring broad community support for subprojects should be established in the ESMP for lending through borrower systems or frameworks. See Definitions, Annex A

(e) Implementation, Monitoring and Reporting

62. WB carries out the following monitoring actions to supervise, evaluate, report and provide technical assistance to project implementation in accordance with the ESMP. The WB ensures that supervision priorities for the coming year are clearly defined and consistent with the supervision plan. During project implementation, the Bank regularly:
- (i) conducts supervision missions that contain adequate environmental and social safeguard expertise for projects with significant adverse social or environmental impacts;
 - (ii) conducts periodic site visits for projects with adverse environmental or social impacts, which includes physical inspection of premises and facilities, consultation with affected communities in an environment that is free from intimidation or coercion;
 - (iii) ensures that environment-related covenants are included in the monitoring system and procurement arrangements are consistent with environmental and social requirements set out in the project legal agreements;
 - (iv) reviews the periodic monitoring reports submitted by borrowers/clients and external sources, including the borrower/client's grievance registry and reports by independent monitors, to ensure that adverse impacts and risks are avoided or mitigated as planned and as agreed with WB;
 - (v) ascertains the extent of compliance with loan covenants, including environmental and social actions, particularly risk mitigation, monitoring and management measures;

- (vi) ensures that borrower's operating plan for the project includes actions to carry out the project's environment-related aspects, including provisions for continued functioning of any environmental advisory panel as agreed with the Bank.
- (vii) identifies any problems promptly as they arise during implementation and recommend ways to the borrowers/clients to resolve them.
- (viii) if compliance is not satisfactory, discusses with the borrower actions necessary to correct the non-compliance, and follow up on the implementation of such actions. This includes working with borrowers/clients to rectify to the extent possible any failures to comply with their safeguard commitments, as covenanted in the legal agreements, and exercise remedies to reestablish compliance as appropriate. This also includes recommending changes in the project concept or design, as appropriate, as the project evolves or circumstances change;
- (ix) identifies the key risks to project sustainability and recommends appropriate risk management strategies and actions to the borrower;
- (x) arranges for a third party audit for specific risks, as appropriate, to be conducted by an independent consultant, funded by the borrower and approved by the Bank. Audits are typically based on terms of reference between the Bank and borrower, are longer than supervision site visits, require more in –depth review of documentation and permits, emissions data, etc.
- (xi) conducts an environmental post-audit for framework lending subprojects that have significant risks and demonstrate compliance problems, which are disclosed with along with required monitoring reports, and
- (xii) prepares the Bank's project implementation completion report (ICR) that accounts for the use of Bank's resources and assesses whether the objective and desired outcomes of the safeguard plans have been achieved, taking into account the baseline conditions and the results of monitoring. This report should include evaluation of (a) environmental and social impacts, noting whether they were anticipated in the ESIA report; and (b) the effectiveness of any mitigatory measures taken. The ICR should draw lessons to improve the design of future projects, sector and country strategies, and policies.

63. WB requires borrowers/clients to:

- (i) establish and maintain procedures to monitor the progress of implementation of safeguard plans, including any ESMP or ESMF.
- (ii) verify the compliance with safeguard measures and their progress toward intended outcomes,
- (iii) document and publicly disclose monitoring results that identify safeguard necessary corrective and preventive actions in the periodic monitoring reports,
- (iv) follow up on these actions to ensure progress toward the desired outcomes,
- (v) retain qualified and **experienced external experts**¹⁷ or **qualified NGOs** to verify monitoring information for projects with significant impacts and risks,
- (vi) use independent advisory panels to monitor project implementation for highly complex and sensitive projects, and
- (vii) use participatory, community-driven monitoring for specific significant risk or sensitive projects, or where local communities hold relevant special local knowledge (e.g. on biodiversity or cultural heritage) and/or are physically close to the area being monitored. Community monitoring is also appropriate for those projects for which community driven ESIA were adopted. The nature, scope, method, frequency and funding arrangements for community monitoring are agreed between the client and the Bank in consultation with the relevant community representatives, and included as a covenant in the loan agreement.
- (viii) submit periodic monitoring reports on safeguard measures as agreed with WB.

64. The borrower/client monitors and measures the progress of implementation of the ESMP. The extent of monitoring activities is commensurate with the project's risks and impacts. In addition to recording information to track performance, the borrower/client undertakes inspections to verify compliance with the ESMP and progress toward the expected outcomes. For projects likely to have significant adverse environmental impacts, the borrower/client retains qualified and experienced external experts or qualified NGOs to verify its monitoring information. The borrower/client documents monitoring results,

identifies the necessary corrective actions, and reflects them in a corrective action plan. The borrower/client implements these corrective actions and follow up on these actions to ensure their effectiveness.

65. The borrower/client prepare periodic monitoring reports that describe progress with implementation of the ESMP and compliance issues and corrective actions, if any. The borrower/client submits at least semiannual monitoring reports during construction for projects likely to have significant adverse environmental impacts, and quarterly monitoring reports for highly complex and sensitive projects. For projects likely to have significant adverse environmental impacts during operation, reporting continues at the minimum on an annual basis. Such periodic reports are posted in a location accessible to the public. Project budgets reflect the costs of monitoring and reporting requirements.
66. Where **unanticipated environmental and social impacts** become apparent during project implementation, the borrower/client updates the environmental assessment and ESMP or prepares a new environmental assessment and ESMP to assess the potential impacts, evaluate the alternatives, and outline mitigation measures and resources to address those impacts.

(f) Grievance Redress Mechanism

67. The borrower/client establishes a mechanism to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the project's environmental performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project. It should address affected people's concerns and complaints promptly, using an understandable and transparent process that is responsive to marginalized, discriminated-against, and vulnerable groups, culturally appropriate, and readily accessible to all segments of the affected people at no costs and without ~~retribution~~. The mechanism should not impede access to the country's judicial or administrative, or alternative dispute resolution remedies. The affected people are appropriately informed about the mechanism. The borrower maintains a publicly available registry of complaints received, with identifying information of the complainants removed.

IV. SAFEGUARD REQUIREMENTS FOR DIFFERENT FINANCE MODALITIES

68. Various lending modalities and financial products are key instruments for WB to promote inclusive growth and sustainable development in its developing member countries. In addition to standard project loans, WB provides a variety of policy, program and planning instruments, including country assistance strategies, policy loans, sector or sub-sector loans, emergency assistance loans (including fragile and conflict states), program loans, financial intermediaries, recurrent expenditure loans technical assistance, trust fund operations and knowledge products, and corporate finance. The following sections outline the additional ESAM requirements for these different finance modalities that borrowers/clients are requested to meet.

1. COUNTRY ASSISTANCE STRATEGIES (CAS)¹⁸

Screening and ESAM Instruments

69. As planning instruments that consider a variety of potentially significant social and environmental risks for Bank financed investments, the CAS is treated as a Category A operation in terms of ESAM consultation, disclosure, and incorporation into a results framework or investment plan.
70. A Strategic Environmental and Social Analysis (SESA) or Country Environmental Analysis (CEA) with accompanying Business Plan is used to satisfy the Bank's environmental assessment requirement for Country Assistance Strategies. The Bank initiates a SESA/CEA as early as possible ahead of CAS development and the environmental priorities and goals identified by the SESA/CEA need to guide the Bank's lending and non-lending portfolio and be integrated into the CAS Results Framework. The Bank does not finance project, program, or non-lending activities that would contravene the

environmental goals, as identified during the SESA/CEA or this policy and specified in the CAS Results Framework.

Identifying environment-development priorities

71. The SESA/CEA identifies in a systematic way the main environment- development themes and priorities in a country. This can be done using a number of tools such as **cost of degradation analysis, net savings analysis, natural capital stocks, low carbon development, surveys**, etc. The first building block includes a broad overview of environment-development links, highlighting key trends and indicators relevant to the achievement of the **Millennium Development Goals**. **This overview would be a standard input for the CAS Results Framework.**

Analysis of environmental policies and institutions.

72. SESA/CEA Analysis should focus on:
- key actors and stakeholders and their interests;
 - assessment of budgets, expenditures, and transparency in resource use for key institutions involved in environmental governance.
 - intersectoral coordination, horizontally between sector ministries and vertically between national and subnational levels.
 - main environmental management tools.
 - **gaps** in formal rules (e.g., policies and regulations) and in informal rules underlying implementation.
 - Policy implementation track record

Disclosure and Public Consultation.

73. The TOR for a draft SESA/CEA is disclosed and consulted early in the CAS preparation phase and a draft CEA is disclosed and consulted at least 180 days prior to any consultation of a CAS. The CAS, including a results framework, the SESA/CEA business plan and a detailed list of indicative Bank lending and non-lending investments, is disclosed 180 days prior to board approval.

Implementation.

74. The SESA/CEA Business Plan should stipulate how the CAS, i.e., World Bank country portfolio, specifically addresses the environmental and social priorities identified in the SESA/CEA. The Business Plan should provide:
- Review of the Bank's planned lending and non-lending activities and their links with potential risks/impacts to environmental and social priorities identified in the SESA/CEA.
 - **Determine if** the planned CAS is balanced to support sustainable environmental management in the country and if the CAS adequately addresses poverty-environment linkages.
 - **Identify mitigation measures and/or alternatives to planned** project(s), activity(-ies), or policy(-ies) that pose risks to environmental and social priorities, or the need for **sector, regional or SESA analysis** that is required before project, program or policy investment decisions.
 - If environmental resources are seen as a source of economic growth, determine whether or not there is sufficient analytical work to ensure long-term sustainability.
 - A description of the **institutional needs and capacity building activities**.
 - Recommend **Bank assistance in the form of lending and non-lending assistance and partnerships that support the environmental and social priorities identified in the SESA/CEA**.
 - The standards and criteria for monitoring and evaluation.
 - As appropriate, the need for a country wide safeguard business plan

75. As planning instruments that consider a variety of potentially significant social and environmental risks for Bank financed investments, the CAS interim progress reports should include specific assessments of alignment between the CAS and the extent of implementation of the CEA business plan or relevant social assessments.

Evaluation.

76. The Bank evaluates the CAS and reports on consistency between the Bank's approved portfolio, the CAS Results Framework, and the SESA/CEA Business Plan. CAS interim progress reports should include specific assessments of alignment between the CAS and the SESA/CEA or relevant social assessments.

[Accountability.

77. The Bank informs SESA/CEA participants of the Inspection Panel and its procedures that fully cover the preparation, approval and implementation of the CAS.]

2. INVESTMENT LENDING

78. Bank requirements outlined in this section, in addition to those defined in main policy statement, apply to all investment loans, except those that use frameworks or borrower systems (see Section 4 below).

Screening and Categorization.

79. Category A: [For projects in which preparation or implementation have advanced at the time of Bank consideration, special attention should be given to defining the project area of influence consistent with this policy or the highest standard of any co-financing partner, regardless of distribution of financing roles. Where the Bank's standard for area of influence is the shared project standard, significant risks in any aspect of the area of influence defines the categorization for the Bank and in turn, the application of the Bank's ESAM policy to the project activities in that area of influence. Similar risks within the project area of influence are treated similarly as a requirement for Bank financing. See Section 7 Existing Facilities and Section 11 Projects with Co-Financing below]
80. Category B: When the screening process determines, or national legislation requires, that any of the environmental or social issues identified warrant special attention, the findings and results of Category B ESA may be set out in a separate report. Depending on the type of project and the nature and magnitude of the impacts, this report may include, for example, a limited environmental impact assessment, an environmental mitigation or management plan, an environmental audit, or a hazard assessment. For Category B projects that are not in environmentally or socially sensitive areas and that present well-defined and well-understood issues of narrow scope the Bank may accept alternative approaches for meeting ESA requirements. For example, environmentally sound design criteria, siting criteria, or pollution standards for small-scale industrial plants or rural works; environmentally sound siting criteria, construction standards, or inspection procedures for housing projects; or environmentally sound operating procedures for road rehabilitation projects.
81. Category C: For a proposed project that is likely to have minimal or no adverse environmental and social risks, no ESIA is required.

ESA Instruments

82. The following ESA instruments are applicable to Investment Lending:
- (i) **Environmental and Social Impact Assessment (ESIA)** is required for projects with significant risks. A partial ESIA may be required for some Category B projects, with or without an ESMP, depending on the extent of risk.

- (ii) **Community-Driven ESIA** is [preferred/required] when risk assessment and management contexts are enhanced by giving communities more control over decision making and resource allocation associated with the ESAM process. Often CDESIAs are appropriate for contexts of weak governance, but where prevalent legal obligations exist that require negotiation with customary or legal landowners for community development agreements, or where communities or landowners have adequate bargaining capacity to negotiate. CDESIA often leads to benefit or impact sharing agreements that are integrated into the project design.¹⁹
- (iii) **Strategic Environmental and Social Assessments (SESA):** When the program, policy, financial intermediary or country system operation is likely to have significant, adverse social or environmental risks or impacts, a SESA is required. SESA produces an ESMF with an action plan to help prioritize investments in institutional capacity, regulatory reform or S/E risk management of a relevant portfolio of subprojects. SESA can help in the scoping of sectoral and regional ESA. See Annex D for SESA procedures and ESMF requirements.
- (iv) **Regional, Sectoral or Cumulative Impact Assessments:** When a Bank financed project or a series of projects, independently or as part of a program or in relation to associated facilities, is likely to have sectoral or regional impacts (as for example in power generation, extractive industries, transport, water and sanitation, industry or agriculture supply chains), a sectoral, regional or cumulative ESA is required.²⁰

Public Consultation and Participation

83. The borrower prepares a stakeholder participation plan, for which a summary is disclosed in the PID, that defines how the project meets the minimum requirements for meaningful consultation and participation throughout the project cycle (see para. 23-25 of policy). In addition, the borrower specifies the use of multi-stakeholder platforms/steering committees or advisory mechanisms to advise the project preparation and implementation.

Disclosure

84. The following disclosure requirements are applicable to investment lending:
- For environment category A projects, a summary of the proposed project's objectives, description, and potential impacts is disclosed prior to initial consultation;
 - For environment category A projects, a draft environmental and social management plan and ESIA report, including relevant sector, cumulative impact assessment [or human rights assessment at least 180 days before Board consideration];
 - Any Category B project ESIA report, with or without a management plan, at least 180 days before Board consideration. Any separate Category B report for a project proposed for Bank financing is made available to project-affected groups and local NGOs at the time of disclosure to the Bank.
 - Draft environmental assessment and management framework, draft resettlement frameworks and/or plans, and draft Indigenous Peoples planning frameworks and/or plans before project appraisal;
 - Final or updated ESMPs, environmental and social impact assessments and/or partial environmental assessments, resettlement plans, and Indigenous Peoples plans upon receipt;
 - Environmental, involuntary resettlement, and Indigenous Peoples monitoring reports submitted by borrowers/clients during project implementation upon receipt.

Due diligence and Review.

85. The appraisal mission normally departs only after the Bank has received and reviewed the final ESMP/ESIA, or required alternative ESIA document. Exceptions [are only in cases of emergency lending] and required the authorization of the regional VP, but must define alternative disclosure and consultation procedures that ensure prior input from stakeholders before Board approval.
86. For Category A projects, particularly for situations of new challenging impact mitigation activities, the Bank promotes the use of financial incentives or sanctions (performance bonds or insurance, carbon deposits to avoid deforestation, variable interest rates, interest during construction rebates, favorable loan terms, etc) as covenants in the legal agreement to support implementation. Expert panels can include accredited independent consultant expertise to objectively decide on the use of these mitigation support instruments and to set reasonable limits on borrower liability.²¹

Implementation. See Section III d above

Evaluation [To be completed]

3. DEVELOPMENT POLICY LENDING OPERATIONS (DPO).

87. The borrower evaluates potential direct, indirect or cumulative environmental or social impacts, including long-term impacts, associated with policy actions to be supported by DPOs, identify appropriate mitigation measures to address these impacts, and integrate the mitigation measures into the DPO's design. A matrix of potential impacts of each policy action, together with appropriate mitigation measures, is prepared, with a qualitative indication of the likely order of magnitude of each impact, and brief reasons for the judgment.
88. Risk assessment for DPOs rests on sound sector analysis that considers baseline information and distribution of costs and benefits. Assessment should include a borrower's capacity to reduce observed risks and actions necessary to fill any gaps in capacity.

Screening and Categorization.

89. Environment and social assessment (ESA) for (DPOs) should begin as early as possible in the country program cycle, starting with the preparation of policy notes for the first country dialogue and the design of the country strategy. To ensure that social and environmental risks for DPOs are assessed upstream where feasible, the country strategy process should adequately assess risks and opportunities for proposed DPO policy, program and planning options under consideration for proposed DPOs, and include political economy analyses. CEA, SESA or an equivalent publicly consulted sector analysis are required at the Country Strategy stage to inform DPO options and may be complemented by additional institutional or sector ESA analysis prior to operation approval.
90. Once identified, DPOs should be subject to risk categorization (A, B, or C) based on a robust environmental and social screening process. DPOs are classified as Category A when these operations involve prior actions, triggers or related activities that pose potential significant adverse risks. Significant environmental or social risks are defined as those in highly sensitive policy areas²² where sector or policy analysis relates to either (a) distributive implications of the costs and benefits of policy reform implementation; or (b) implementation capacity to carry out reforms or reduce potential adverse effects; (c) association with potential Category A subprojects or (d) the level of social and environmental conflict in the policy area or sector. In the absence of useful analytical work, the country must initiate such work prior to the DPO and consult and engage with stakeholders in that process.
91. The absence of current and relevant environmental and social analytic work (CEA, SEA, Sector analysis) is often the defining risk factor, signaling institutional capacity issues in defining safeguard priorities with meaningful consultation, monitoring priority environmental and social issues, and responding accordingly. For DPOs, significant gaps in implementation capacity are indicated by fewer than half of the institutional ESMS capacity criteria not being met (see ESMS capacity assessment template in Appendix B, Annex F). DPOs involving significant ESMS implementation

capacity gaps are classified Category A, and require independent, third-party monitoring, semi-annual audits by an Expert Panel.

92. Screening for environment and social risk and impacts should consider the need for complementary investment operations to strengthen capacity prior to or in parallel with a DPO. However, where adverse effects are viewed as potentially significant, capacity building must take place prior to operation approval. In the case of DPOs classified as Category A due to governance weaknesses or lack of capacity, the appropriate place to deal with adverse effects may be at the level of the country program. The program document should justify why the DPO is the appropriate instrument in such circumstances, particularly if it has the potential to impact sensitive sectors such as critical natural habitat vulnerable groups such as indigenous peoples or involve involuntary resettlement. The risk classification of DPO and complementary investment operations should be consistent.
93. DPOs are classified as Category B when they involve prior actions, triggers or related activities in moderately sensitive policy areas (defined as those not included in the Appendix B indicative list of Category A operations) where sector or policy analysis indicates limited social or environmental risk or impacts due to either (a) distributive implications of the costs and benefits of policy reform implementation; or (b) implementation capacity to carry out reforms or reduce potential adverse effects; (c) the small number of Category A subprojects involved or (d) a lower level of social and environmental conflict in the policy area or sector due to governance weaknesses.
94. DPOs involving policy reforms or actions associated with activities listed in the Exclusion List is not financed by the Bank

ESA Instruments for DPOs.

95. Category A DPOs are subject to more objective and effective frameworks for assessing baseline institutional capacity of the government, gaps in their risk management systems, prior actions and benchmarks for strengthening capacity. When a DPO is likely to have significant, adverse social or environmental risks or impacts, a SESA is required, which assesses the potential environmental and social impacts of planned policy, institutional, and regulatory actions under the loan. SESA requirements, including ESMF guidance are provided in Appendix B, Annex E. SESAs include an ESMP or ESMF with an action plan to guide risk management during the reform process. SESA improves the scoping of sectoral and regional ESA.
96. Prior actions or triggers that would require such assessment to include, for example, trade reforms or privatization associated with environmentally sensitive enterprises or sectors, promotion and implementation of climate change or disaster response policies, governance reforms involving institutions or policy associated with the environment and natural resources sector (water, air, land, forests), and reforms likely to produce changes in land tenure in areas with important natural habitats or relative price shifts in agriculture, timber or extractives commodities.
97. Category B DPOs require a limited sector ESA. The Bank appraises and if necessary, includes in the DPO design or an accompanying operation measures to strengthen the capabilities of the implementing agency to carry out the SESA, produce and implement an ESMF and monitor and evaluate social and environmental outcomes during implementation.

Public Consultation and Participation.

98. For Category A DPOs, in addition to meaningful consultations on the country strategy and related national development strategies, the borrower identifies and consults key stakeholders through a SESA stakeholder participation plan and the design of an ESMP or ESMF to inform the design of prior actions or triggers, the results framework and any mitigation measures that address potential environmental or social risks or benefits (consistent with the procedures in Annex E). Public consultation is required on the TOR, a final draft and final SESA for Category A DPOs. For Category B DPOs, the Bank staff describes in the SESA or PSIA the country's arrangements for consultations and participation relevant to the operation and the outcomes of the participatory process adopted in

formulating the country's development strategy. In addition, the borrower consults throughout project implementation as necessary to address ESA-related issues that arise. Relevant analytic work conducted by the Bank, particularly on social and environmental risks and impacts, is made available to the public as part of the consultation process.

Disclosure.

99. For Category A DPOs, a draft TOR is disclosed for consultation and a draft SESA is made publicly available 180 days before Board consideration, in country and online at the Bank. Public comment period for the draft SESA is no less than 30 days. The final SESA and Program Document are disclosed 30 days before Board approval. Disclosure requirements for DPOs are otherwise consistent with those specified for investment lending in Section III.

Implementation.

100. All DPOs should be subject to robust monitoring and evaluation mechanisms, which encompass longer term monitoring of reform process results. For DPOs, supervision reports should include quantitative and qualitative information on:

- Progress in filling gaps in relevant environment and social institutional areas;
- Detailed changes in institutional ESMS capacity;
- Operation coherence or synergies with related Bank financed or other strategic investments;
- Information on development outcome indicators as agreed with the borrower, extending beyond project close due to the lagged effects of certain reforms.

101. Category A DPOs provides for independent, third party monitoring and verification of results. Category A DPOs should include provisions for participatory and independent monitoring and evaluation as well as satisfaction surveys or ex-post workshops at the end of the loan to examine key lessons.

Evaluation.

102. Category A DPOs should be prioritized for PPAR evaluations. Evaluation of Category A DPOs should involve assessment of alignment with environment and social priorities identified in the CEA business plan, and the risks identified in the SESA. In addition, evaluation should assess the effectiveness of DPO prior actions and triggers relative to a reasonable counterfactual, to the extent such a counterfactual exists.

4. INVESTMENT LENDING AND NON-INVESTMENT LENDING OPERATIONS USING FRAMEWORKS OR BORROWER SYSTEMS

103. Many borrowers have built the capacity and established conditions necessary to manage environmental and social risks and impacts through framework or systems. Many others are willing to build this capacity and create enabling conditions given appropriate incentives and guidance. Lending through borrower systems or frameworks for the management of social and environmental risks (ESMS or ESMF) in its various forms (program for results, use of country/borrower systems, sector or sub-sector investment loans, programmatic investment loans, financial intermediary loans, emergency loans, recurrent expenditure loans or other framework lending) recognizes these advances as well as the potential advantages of scaling up the reach and impact of Bank support without loss of risk management capability.²³ A country, sector, or agency may qualify for the use of framework or borrower systems lending approach, depending on the result of the Bank's assessment.

104. When key responsibilities for managing risks are devolved to borrower systems through the use of these lending modalities, this policy establishes clear, phased requirements and provides adequate support to ensure that Borrowers are qualified to manage risks in a manner consistent with the principles, objectives and requirements of this policy.

Screening and Categorization.

105. The Bank determines, through the following **two stages of analysis (country/borrower level governance and system/institution level capacity)**, if the conditions exist to pursue lending through borrower systems or framework lending and if so, to inform operation design. The WB coordinates closely with other possible development partners when preparing this assessment. These conditions must be established 180 days in advance of Board approval of such loans.
106. **First screening stage - governance criteria:** Top-level screening criteria for borrower systems should include, but not be limited to dealing well with corruption, transparency, and accountability, and that borrower standards applied for subproject investments are effectively equivalent to ESAM requirements defined in this policy, including the exclusion list.
107. In the first stage of analysis to determine whether a country is eligible to be considered for use of borrower systems, frameworks and/or programs, the Bank uses objective criteria²⁴ to evaluate whether governance conditions that underpin a borrower's ability to avoid and mitigate environmental, or social [human rights] risks exist. This evaluation is transparent and participatory, examining the borrower's approach to corruption, transparency, access to justice, etc. The borrower must meet a minimum threshold [to be defined] to advance to the next stage of consideration for use of a project framework or its own system and/or program. This review occurs with every CAS/CPS for each borrower, or more frequently when governance conditions change significantly.²⁵ Specific governance criteria include
- a. **Corruption:** More corrupt borrowers are less likely to address key social and environmental concerns adequately. In the first stage of analysis to determine whether a country is eligible to be considered for use of borrower systems and/or programs, the Bank must evaluate the potential for corruption. An objective index is used to determine if a borrower qualifies.
 - b. **Transparency:** Non-transparent activities are more likely to facilitate corruption, less likely to address important social and environmental concerns, and less likely to achieve poverty alleviation and sustainable development objectives. Borrowers must be willing and able to provide information to the public and local communities about activities at project and subproject levels.
 - c. **Access to justice and other governance issues:** Individual and local community access to justice is an essential element of a well-functioning system for addressing environmental and social risks. When the World Bank devolves responsibilities to borrowers to implement and monitor activities that may adversely and disproportionately impact the poor and those with relatively less power to influence where and how development occurs, the Bank must ensure that robust measures and mechanisms exist and are implemented well to secure the rights and respond to the needs of these communities.
 - d. **History of grievance mechanism investigations or complaints:** If the borrower (country and / or institution) has been associated with a complaint to the World Bank inspection panel, or any of the five MDB accountability mechanisms for safeguard or operational policy issues, an assessment is conducted regarding the originating circumstances of the complaint, the implementation status of any corrective actions and positive or negative changes to the relation between the Bank, the borrower and the affected population.
108. This entity-focused assessment occurs every time a new entity is used to address risks.
109. **Second screening stage – system level analysis.** If the borrower meets fundamental governance criteria identified in the first stage of analysis, the borrower moves to the second screening stage – analysis of the borrower system, to ensure that similar risks associated with Bank lending are treated in similar ways. The Bank categorizes eligible lending through borrower systems or frameworks

subject to standard risk categorization (A, B, or C) based on a robust environmental and social screening process.

110. Any subproject activities in the existing program portfolio or are likely in the proposed future portfolio that are listed on the presumptive “Category A” list are presumed Category A activities. Category A subprojects define the proposed program or framework lending project as Category A. However, the Bank should avoid support for subprojects with significant risks through frameworks or systems and exclude any such Category A activity from Program for Results support. The cumulative impacts of a collection of subprojects may also warrant an “A” categorization, although the individual subprojects are of a scale that would place them in a lower category. (see para 117 below).
111. Where identified or future investments of the project portfolio have minimal or no adverse social or environmental risks, either as individual subprojects or cumulative effects, the operation is treated as a category C project and need not apply any other specific requirements. A description of these activities and detailed reasons for the C categorization must be provided on the website.
112. The Bank assesses the adequacy of country environmental and social requirements relevant to the project and the proposed ESIA arrangements for subprojects, including the mechanisms and responsibilities for environmental screening and review of ESIA results. The Bank also assesses the borrower’s capacity. Where there are gaps in the borrower’s capacity, the WB and borrower establishes a time-bound plan to address identified gaps and ensures that the project includes components to strengthen such ESIA arrangements. The Bank’s assessment is made available to the public 180 days before Board approval.
113. Criteria used by the Bank to perform these analyses must be transparent and the process must be participatory (**see Annex F & G**). The Bank ensures that comparable risks are treated comparably - that risks associated with activities in one location do not receive less robust treatment than comparable risks associated with activities in another location.
114. All Category A and B operations is required to have in place or establish and maintain an appropriate environmental and social management system (ESMS) or framework (ESMF) to guide borrower subproject selection, appropriate ESAM, and implementation as part of their overall management system. An ESMS or ESMF ensures that the system secures subproject-level compliance with national laws and host country obligations under international law and **principles, objectives and requirements** specified in this policy.²⁶ The ESMS/ESMF incorporates the following elements (which are elaborated in Annex G):
 - (i) *environmental and social policies [and institutional commitment]*. The Bank ensures that for the executing institution directly responsible for the ESMS or ESMF, adequate environmental and social standards, and commitment exists.²⁷ This includes an assessment of the borrower entities tasked to identify, avoid and mitigate risks through the ESMS/ESMF has adequate authority and leadership. The Bank must prepare a publicly-available assessment of the extent to which the entity has an approved environment and social policy with procedural requirements, clear roles and responsibilities for ESAM functions, the commitment of entity management, an adequate implementation track record, and a functioning grievance response and redress mechanism. Depending on the size of the executing institution’s portfolio or program and its activities, the borrower should appoint a member of its management or one or more staff responsible for day-to-day implementation of the ESMS/ESMF to have overall responsibility for environmental and social matters. The authority/mandate of the entity must be reflected in a publicly-available agreement with the Bank.
 - (ii) *internal organizational structure and competency*. This includes stable staffing with appropriate skills and competencies in environmental and social areas as well as training or certification requirements. Technical expertise must be reflected in a publicly-available assessment of a borrower’s track record. Adequate funding must be reflected in a publicly-available budget assessment, including recent annual expenditures. Planning capacity should be reflected in annual operating plans and evaluations.

- (iii) *environmental and social due diligence processes and procedures to identify risks and impacts of borrower investment portfolio.* ESMS /ESMF assessment should consider the adequacy of procedures for subproject screening and categorization, scoping and appraisal, approval, monitoring, reporting and evaluation, as indicated below and throughout this policy. The Bank identifies gaps and provides support to address them. The Bank considers the existence of any legal disputes or public environmental concerns related to any subprojects.
- (iv) *implementation monitoring and reporting.* The Bank assesses procedures for subproject supervision and performance evaluation, including public access and accuracy of monitoring reports. The borrower should be able to provide evidence of comprehensive tracking of all subprojects. The Bank independently verifies the implementation of borrower proposed corrective actions.
- (v) *transparency, accountability, and knowledge management.* The Bank assesses whether ESMS /ESMF procedures and practice are adequate in the areas of disclosure, consultation, adequacy of a grievance response mechanism and learning from performance evaluation

Strengthening borrower systems and institutional capacity

- 115. The criteria for assessing an ESMS or ESMF constitutes an index that indicates baseline capacity, possible required capacity strengthening actions prior to eligibility for the use borrower systems or frameworks for Bank funded activities and the types of such instruments that are commensurate with borrower's capacity to manage risk. Borrower ESMS that need strengthening implement corrective actions before becoming eligible for the incremental use of borrower systems and frameworks. WB may, when determining ESMF or ESMS acceptability, take account of proposed corrective actions. Such measures are to be carried out before the borrower undertakes implementation of the relevant project activities, and may include WB-supported efforts.
- 116. Bank involvement in the monitoring and accountability of ESMS or framework implementation is consistent with the achievement of concrete, verifiable performance benchmarks (see Annex H). The ESMS/ESMF is documented and agreed on by WB and the borrower as a covenant in the legal agreement.

Eligibility of Category A subprojects

- 117. Activities listed in Annex B are presumed to be activities with significant social or environmental risks, for which borrower system projects and P4R operations are presumed not eligible as per existing Bank policy. With the exception of P4R [and Use of Country Systems], this presumption may be overcome by meeting criteria identified above. All identified subprojects posing significant risks when using frameworks or borrower systems and World Bank funds should be treated as self-standing Category A investment projects unless the borrower: 1) meets the highest level governance criteria, above; 2) the Bank has established that the borrower system secures comparable treatment for comparable risks, and 3) disbursement is tied to robust results criteria. When the presumption is not overcome, the Bank must retain original responsibilities under this policy for any projects with potential significant social and environmental risks, which include performing initial risk identification requiring verification of information at key steps in the process, ensuring greater transparency of monitoring information.
- 118. The screening procedure established under the ESMF or ESMS ensures that all subprojects are screened against the presumptive Category A and exclusion list (Annexes B & C). Subprojects involving activities included in the exclusion list do not qualify for borrower program or project support using WB funds and applications involving such activities is rejected.
- 119. **For operations with identifiable subprojects:** For borrower system or framework lending activity (including both investment and non-investment modalities), the WB categorizes environment and social risk at the portfolio or system level when subprojects are already identified. The Bank then conducts safeguard due diligence to assess the potential environmental and social impacts and

risks associated with the borrower's existing and likely future portfolio, and its commitment and capacity in social and environmental management. Portfolio risk includes not only social and environmental risks of specific subprojects, but also the borrower's credit and reputational risks.

120. During the preparation of each proposed subproject, the project coordinating entity or implementing institution carries out appropriate ESMP/ESIA according to country requirements and the requirements of this policy.²⁸ The borrower refers subprojects with significant risks to WB early in its due diligence process. If the Bank is not satisfied that adequate capacity exists for carrying out subproject ESA, WB assists the borrower with the appraisal of these subprojects and higher risk Category A & B subprojects--including ESA reports--are subject to prior review and approval by the Bank.²⁹
121. Subprojects can not be funded through a borrower ESMS or an investment project ESMF unless the Bank determines, through a transparent and participatory process, that risks are likely to be moderate or lower or the presumption in para. 117 are overcome.³⁰ For any Category A subprojects, WB reviews the due diligence information collected by the borrower, determines any additional information needed, assists with determining appropriate mitigation measures, and specify conditions under which the subprojects may proceed. For such subprojects, the borrower/clients submit ESMP/ESIA, and any resettlement plan to WB for clearance before subproject approval. No subproject that impacts indigenous peoples is funded through framework lending or borrower systems. WB may also set additional requirements for the borrower's activities more generally depending on the portfolio and the host countries safeguard systems. WB monitors the borrower's performance on the basis of its environment and social management system, as well as site visits to specific subprojects.
122. One or more sample subprojects is identified and appraised by the Bank prior to the approval of the program or investment project. For these subprojects, the borrower/client prepares relevant documentation, including environmental and social impact assessment reports, environmental management plans, resettlement plans, and Indigenous Peoples plans.
123. **For operations without identifiable subprojects:** For borrower system or framework lending that have yet to define specific subprojects and where subprojects are prepared after Board approval, the WB categorizes environment and social risk at the portfolio or system level based largely on an assessment of the ESMS/ESMF. The Bank ensures that environment and social risks and impacts for such subprojects is adequately identified and categorized by the borrower using an acceptable ESMF/ESMS. The borrower's ESMS/ESMF must include a categorization process that is consistent with the Bank's risk categorization system defined in this policy. The Bank appraises and, if necessary, includes in the project additional components to strengthen, the ESMS capabilities of the coordinating entity or the implementing institution to (a) screen subprojects, (b) obtain the necessary expertise to carry out ESIA, (c) review all findings and results of ESIA for **individual subprojects**, (d) ensure implementation of mitigation measures (including, **where applicable**, an ESMP), and (e) monitor environmental conditions during project implementation.

ESA Instruments

124. The principal ESAM instrument for borrower systems and framework lending is SESA, which includes an ESMF or ESMS:
 - (i) SESA. Prior to the use of borrower systems or framework lending, the Bank requires that a SESA addresses potential significant or moderate environment and social risks in the sector, program, region or institution targeted for Bank support. For projects in which there are sector-wide issues or spatial cumulative effects that cannot be addressed through individual subproject ESAs (and particularly if the project is likely to include subprojects that a) constitute a series of projects in the same sector or region, b) a large project with sectoral or regional implications, c) a time slice sectoral or regional investment operation, d) other type of programmatic investment, a SESA, or a suitably comprehensive regional, sectoral or cumulative ESA, is required before the Bank appraises the project or program. A robust SESA informs, but does not supplant rigorous subproject ESIA. The lack of a robust SESA disqualifies a borrower from use of framework/system (see Annex E).

(ii) *ESMF* is the required output of a *SESA* process for framework lending, including, as necessary, identification of measures to fill gaps or strengthen capacity.

(iii) *ESMS* is the required output of a *SESA* process for borrower system lending

Participation and Consultation.

125. *SESA* requires the development of a consultation and participation plan that defines meaningful participation for affected peoples and all stakeholders throughout the project cycle (consistent with the procedures in Annex F). Public consultation is required on the terms of reference and a full draft *SESA*. Typically, specific feedback mechanisms involving stakeholders (satisfaction surveys, participatory monitoring, etc) are needed to enhance the monitoring of safeguard implementation and the verification of *ESMF/ESMS* capacity and performance.

126. In addition, the borrower consults throughout project implementation as necessary to address environmental and social related issues that arise. Relevant analytic work conducted by the Bank, particularly on social and environmental risks and impacts, is made available to the public as part of the consultation process.

Disclosure.

127. For operations using borrower systems or framework lending, prior to the Bank's appraisal the borrower provides to the Bank a properly consulted *SESA* of the institutional mechanisms for its subproject *ESIA* work.³¹ The Bank discloses the governance assessment of eligibility for using borrower systems, the assessment of alignment of principles and objectives of the *ESMS* or *ESMF* (including any subproject *ESIAs* with significant risks), the draft *SESA* with proposed *ESMS/ESMF* and final *SESA* plus *ESMS/ESMF* at least 180 days prior to operation approval. The terms of reference for the *ESMF* and *ESMS* capacity assessment are also considered early disclosure requirements prior to appraisal.

128. During implementation, semi-annual monitoring reports of the Bank funded borrower program or framework project (as detailed below) should be disclosed (within 30 days of submission to the Bank, along with any corrective action plan).

129. The borrower should ensure that subproject *ESIAs* should be disclosed to affected communities and the public in a manner consistent with this policy (at least 180 days before borrower approval for significant or moderate risk subprojects).

Implementation.

130. Borrower system and framework lending safeguard implementation requires greater supervision investment and commitment than standard investment lending. Except for operations whose subprojects have minimal or no adverse environmental and social impacts or risks, the borrower prepares and submits periodic reports at least annually on the implementation status of its *ESMS* or *ESMF*. If the reports or WB's reviews conclude that the *ESMS* or *ESMF* is not functioning adequately, the borrower prepares and submits a corrective action plan agreed to with WB and implements it.

131. For framework or borrower systems lending projects, annual monitoring reports should include quantitative and qualitative information on:

- Portfolio breakdown by industry sector, high-risk transactions and *ESAM* due diligence process prior to transaction approval for all Category A [except for P4R] and relevant Category B subprojects.
- Actions to ensure affected communities are informed about significant and moderate risk transactions before approval and during implementation
- Cases of non-compliance and significant environmental or social accidents or incidents related to a transaction

- Information on the implementation of and changes to the borrowers ESMS (For standard indicators of ESMS capacity and performance, see Annex G); and
 - Information on development outcome indicators as agreed with the borrower.
132. These general and any specific ESMF and ESMS implementation requirements is explicitly included in the borrower operation manual.
133. Verification Agreements. For operations with significant to moderate risks, the Bank or borrower contracts a third party to conduct an **environmental post-audit** of a random sample of subprojects to verify the accuracy of borrower reporting on results and risk management. The frequency of as post audit is bi-annual, unless the project demonstrates compliance problems, upon which frequency is annual.
134. The frequency of Bank site visits to monitor the performance and provide support to borrower systems and framework lending projects is commensurate with project risks, but no less than annually. The skill mix of supervision missions is consistent with the extent of social and environmental risks.
135. Grievance mechanism. Beyond the general requirements established in this policy (ESAM Policy statement, para. 32), the borrower ensures that the geographic location of the mechanism adequately serves affected people in all parts of the area of operation influence.

Evaluation.

136. The [Bank/borrower] coordinates and completes, through a transparent and participatory process, a robust strategic impact assessment within one year of project close. Funded by the project, the impact assessment informs subproject-related decisions. Monitoring systems is designed to ensure available data for conducting the impact assessment. Additional financing is contingent on the adequate attention to the results of the impact assessment.

5. EMERGENCY ASSISTANCE LOANS

137. For emergency assistance loans prepared and processed in rapid response to crisis, the completion of standard environmental and social assessments, the Bank may exempt the project from requirements within this policy if compliance with any requirement would prevent the effective and timely achievement of the objectives. Under such conditions, environmental management plans, resettlement plans, and Indigenous Peoples plans may not be possible before Board approval. The justification for any such exemption is recorded in the loan documents.
138. In all cases, however, the Bank requires at a minimum that (a) the extent to which the emergency was precipitated or exacerbated by inappropriate environmental practices be determined as part of the preparation of such projects, and (b) any necessary corrective measures be built into either the emergency operation or a future lending operation.
139. In such cases, an environmental assessment and review framework, a resettlement framework, and an IPPF as specified in OP 4.10 and OP 4.12 is prepared. Components and subprojects identified during project implementation follows the requirements specified in Section III of this Appendix. For projects in conflict areas where the completion of standard environmental assessments, environmental management plans, resettlement plans, and IPPs may not be possible before Board approval, the safeguard frameworks may also be considered for application.
140. Where, pursuant to regulatory requirements or contractual arrangements acceptable to the Bank, any of these review functions are carried out by an entity other than the coordinating entity or implementing institution, the Bank appraises such alternative arrangements; however, the borrower/coordinating entity/implementing institution remains ultimately responsible for ensuring that subprojects meet Bank requirements. If the Bank is not satisfied that adequate capacity exists for carrying out ESA, all Category A subprojects and, as appropriate, Category B subprojects--including any ESA reports--are

subject to prior review and approval by the Bank.

6. EXISTING FACILITIES

Screening and Categorization

141. See Annex A for definition of the area of influence in contexts of existing facilities. The Bank ensures compliance with the requirements of this policy for the properly defined area of influence, regardless of financing for specific activities.

ESAM Instruments

142. For projects involving facilities and/or business activities that already exist or are under construction, the borrower/client undertakes an environment and/or social compliance audit, including on-site assessment, to identify past or present concerns related to impacts on the environment, involuntary resettlement, and Indigenous Peoples.
143. The objective of the compliance audit is to determine whether actions were in accordance with WB's safeguard principles and requirements for borrowers/clients and to identify and plan appropriate measures to address outstanding compliance issues. Where noncompliance is identified, a corrective action plan agreed on by WB and the borrower/client is prepared. The plan defines necessary remedial actions, the budget for such actions, and the time frame for resolution of noncompliance.

Disclosure and Consultation

144. The audit report (including corrective action plan, if any) is made available to the public in accordance with the information disclosure requirements of investment lending (see Section III above). For environment category A projects involving facilities and/or activities that already exist or are under construction, the borrower/client submits the audit report to WB to disclose on WB's website at least 180 days prior to WB Board approval. If a project involves an upgrade or expansion of existing facilities that has potential impacts on the environment, involuntary resettlement, and/or Indigenous Peoples, the requirements for environmental and social impact assessments and planning specified in this policy, including the use of expert advisory panels, applies in addition to compliance audit.
145. The borrower ensures meaningful consultation on the environment and social audit with affected communities and other interested stakeholders. If the corrective actions include revisions to the original project ESMP/ESIA or the need for a SESA.

Implementation

7. PUBLIC PRIVATE PARTNERSHIPS AND GUARANTEES (To be added)

8. TRUST FUND OPERATIONS (To be added)

9. KNOWLEDGE PRODUCTS (To be completed)

146. For knowledge products and services that address environmental and social risks and impacts, implementation reporting should address outcomes related to evidence of policy, program or project influence, capacity enhancement and learning derived from the use of these operations.

10. PROJECTS WITH COFINANCING

147. WB makes efforts to collaborate with the borrower/client and co financiers to adopt a single social and environmental assessment and planning process and unified safeguard documentation, consultation, and disclosure requirements to satisfy the safeguard principles and requirements of WB and the co financiers for the design and implementation of the project, program or policy, including any associated facilities or activities contributing to cumulative impacts.

ANNEX A: DEFINITIONS

Area of influence. The area likely to be affected by the Bank funded activity, including all its ancillary aspects and related client or contractor activities or facilities. Examples include (i) power pools and transmission lines, transport corridors, basin and tributaries of primary rivers, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, and construction camps and contaminated land (e.g., soil, groundwater, surface water, and sediments), (ii) as well as unplanned but predictable developments induced by the project that may occur later or at a different location; (e.g., spontaneous settlement, logging, or shifting agriculture along access roads) or (iii) indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent. The area of influence may include, for example, (a) the watershed within which the project/operation is located; (b) any affected estuary and coastal zone; (c) off-site areas required for resettlement, compensatory tracts, or the necessary provision of core ecosystem services; (d) the air shed (e.g., where airborne pollution such as smoke or dust may enter or leave the area of influence; (e) migratory routes of humans, wildlife, or fish, particularly where they relate to public health, economic activities, environmental conservation and landscape or biome change; and (f) areas used for livelihood activities (hunting, fishing, grazing, gathering, agriculture, etc.) or religious or ceremonial purposes of a customary nature.

Associated facilities. in the context of environmental and social assessment, refer to new or additional works and/or infrastructure, including modifications and expansions important to the project, irrespective of the source of financing and not necessarily essential for a Bank-financed project to function. Associated facilities may be funded, owned, constructed and operated separately. Examples include: new/additional access roads, railways, captive power plants or transmission lines, pipelines required to be built for the project; new/additional construction camps or permanent housing for project workers; new/additional project effluent treatment facilities, new/additional warehouses, marine or logistics terminals and production and processing facilities built to handle project goods; most carriage, distribution, and drainage systems, small diversion works, small pumping plants, open and closed conduits, tunnels, siphons, small regulating reservoirs, waterways, and bridges.

Biodiversity. The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Borrower systems. refer to the capacity, the policy and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and relevant laws, regulations, rules, and procedures to identify and address social or environmental problems/priorities in an effective manner taking into account concerns of stakeholders (including the most vulnerable groups), as well as processes to adequately monitor and evaluate progress to overcome these problems.

[Broad Community Support. is an independently verifiable and documented collection of uncoerced expressions by the affected communities, through individuals or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project, but only if there is a clear determination of a net public benefit and that the human rights of the dissenting community members are not violated by the project.]

Country Assistance Strategy. includes Country Partnership Strategies, Interim Strategy Notes, and Poverty Reduction Strategy Papers.

Community Development Agreements (CDA). Also referred to as **Impact-Benefit Agreement (IBA) of Impact – Compensation Contracts (ICC)**, a CDA codifies into a single judicial contract all the mitigating measures, compensation, allocation of benefits, offsets, performance bonds, insurance, grievance mechanisms, redress and systems of penalties. During the ESMP phase, project sponsors and affected stakeholders then sign this legal document, which is then implemented.

Community Driven ESIA. CDESIA is a negotiation-based approach to assessment of risks in which communities and affected peoples have greater decision making authority over the process, the

allocation of resources, and the outcome of ESIA. CDESIA provides for more informal, culturally appropriate research methods, carried out primarily in communities, with robust prior and ongoing capacity strengthening resources for participants. Emphasis on early capacity strengthening of affected people and communities extends over the life of the project, which includes participatory monitoring and evaluation of project implementation and the focus not only on preventing harm and minimizing costs but on benefit maximization and distribution. CDESIA is designed to produce legally binding agreements with project proponents that are integrated into the project contract regarding impact compensation or benefit sharing.³²

Country Environmental Analysis (CEA). systematic evaluation of the environmental priorities of client countries, the environmental implications of key government policies and institutional capacity in dealing with environmental priorities. The CEA aims to systematize and improve the analytic basis of development investment particularly in terms of integrating environmental issues into the Bank's country programming and policy dialogue. The CEA makes recommendations for priority reforms at the national level or, in large countries, the subnational/state level. The CEA business plan reviews Bank and partners planned lending and non-lending activities in key sectors and their links with environmental priorities, and informs priorities for Bank assistance.

Critical Habitat. A subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value, including habitat required for the survival of critically endangered or endangered species; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or that are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic, or cultural importance to local communities.

Cumulative Impacts. Impacts that result from incremental changes caused by one or more past, existing, planned or reasonably foreseeable actions together with the project.

Cumulative Impact Assessment (CIA). involves the analysis of all effects on an area, communities or resources from one or more past existing, planned or reasonably foreseeable activities as they accumulate over time and space

Downstream Impacts. Any social or environmental impact in a position further along a river or stream as it flows in the direction of the sea.

Environmental and social audit. An instrument to determine the nature and extent of all past and present environmental and social areas of concern at an existing facility. The audit identifies and justifies appropriate measures to mitigate the areas of concern, estimates the cost of the measures, and recommends a schedule for implementing them. For certain projects, the ESA report may consist of an environmental and social audit alone; in other cases, the audit sets the baseline for and is subsequently part of the ESA documentation.

[Environmental Post-Audit. to be added]

Environmental and social impact assessment (ESIA). Upon project identification, ESIA is an instrument to identify and assess the potential environmental and social impacts of a proposed project/operation, the distribution of those impacts, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures in addition to capacity building. Projects and subprojects need ESIA to address important issues not covered by any applicable regional or sectoral ESA.

Environmental and social management framework (ESMF). provides guidance for avoiding, mitigating and managing environmental and social risks and impacts associated with one or more project(s), activity(ies) or policies that may occur in the future. The Framework sets out the principles, guidelines, and procedural requirements that are consistent with WB safeguard policies and procedures to assess and apply the mitigation hierarchy to environmental and social risks, as well as enhance positive

impacts and opportunities of said project(s), activity(-ies), or policy (-ies). An ESMF incorporates procedures for: (i) consultations with affected or concerned stakeholder groups; (ii) capacity building measures; and (iii) environmental and social screening, assessment and monitoring. The Framework also specifies inter-institutional arrangements for the preparation of time-bound actions plans for mitigation adverse impacts related to future project(s), activity(-ies), or policy (-ies). An ESMF contains provisions for estimating and budgeting the costs of such measures, and information on the agency or agencies responsible for addressing project impacts. For some operations, a strategic environmental and social assessment (SESA) is required to design an ESMF. The term "Environmental and Social Management Framework" or "ESMF" may also be used. See Annex F for a description of the content of an ESMF.

Environmental and social management plan (ESMP). An instrument that details (i) the measures to be taken during the implementation and operation of a project to eliminate, or to reduce them to acceptable levels, mitigate or impossible to avoid, reduce or mitigate, then offset adverse environmental and social impacts, as well as ensure a fair distribution of those impacts; and (ii) the actions needed to implement these measures. The ESMP is the primary part of Category A ESIs (irrespective of other instruments used). ESIs for Category B projects may also result in an ESMP.

Environmental and social management system (ESMS). is the management system (both formal and informal) consisting of procedures, management commitment, delineation of roles and responsibilities and guidance that a borrower follows to review and manage the environment and social issues and risks associated with its investments. Although consistent with many elements of an ESMF, an ESMS is more permanent and in some instances, described by ISO certification. The scope, complexity and specific components of an ESMS vary in relation to the level of actual and prospective E&S risk in the portfolio. An ESMS should typically consist of the following elements: (i) E&S policy; (ii) internal organizational capacity, competency and training requirements; (iii) E&S due diligence (ESDD) processes/procedures to identify and categorize risks and impacts of borrowers/investees; (iv) monitoring, reporting and review of portfolio; (v) transparency and knowledge management (see Annex G for an indicative list of ESMS components and indicators). The purpose of the ESMS for borrowers is to manage and monitor the compliance of the operation's subclients with the relevant E&S requirements.

Environmental flows assessment. An assessment of how a project alters or transforms the water regime provided within a river, wetland or coastal zone to maintain ecosystems and their socially and culturally-defined benefits.

Environmental goods and services. Ecosystems and the environment are the source of goods (e.g., drinking water, forestry products, genetic resources) and services (e.g., clean air, climate, hydrological flows, biodiversity corridors, flood protection) on which society places a value, whether it is social, ethical, or economic. Ecosystem services consist of four categories: *Provisioning services*: goods or products obtained from ecosystems; *Regulating services*: ecosystem's control of natural processes; *Cultural services*: the non-material benefits such as recreation, spiritual or aesthetic values; *Supporting services*: the natural processes that maintain other ecosystem services, such as nutrient cycling and primary production. Enhancing these values and implementing sustainable financial mechanisms constitute an important strategy adopted increasingly in many countries to conserve ecosystems and the environment.

[Greenfield project. To be added]

Hazard assessment. An instrument for identifying, analyzing, and controlling hazards associated with the presence of dangerous materials and conditions at a project/operation site. The Bank requires a hazard assessment for projects involving certain inflammable, explosive, reactive, and toxic materials when they are present at a site in quantities above a specified threshold level. For certain projects/operations, the ESA report may consist of the hazard assessment alone; in other cases, the hazard assessment is part of the ESA documentation.

Highly complex and sensitive projects and policy areas. Projects that the Bank deems to be highly risky or contentious or involve serious and multidimensional and generally interrelated potential social and/or environmental impacts.

Human Rights. All internationally recognized human rights, and, in addition, any other human rights treaty, such as regional human rights agreements, to which the borrower/host country is a party.

Indirect impacts. Impacts on the environment, which are not a direct result of the project, often produced away from or as a result of a complex pathway. Sometimes referred to as second or third level impacts, or secondary impacts.

Integrated resources planning. A comprehensive and holistic methodology of planning a country's electricity resources options, including both supply-side options for meeting generation, transmission, and distribution facilities needs, as well as demand-side options for meeting the needs of consumer productivity and efficiency. The methodology considers a full range of feasible supply-side and demand-side options and assesses them against a common set of planning objectives and criteria agreed to in a transparent and participatory process.

Meaningful consultation. A process involving all project stakeholders, affected peoples, including concerned NGOs that is explained in a stakeholder participation plan and (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is inclusive and responsive to marginalized, discriminated-against, and vulnerable groups, with attention to gender; (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development impacts, benefits and opportunities, grievance mechanisms and implementation issues; (vi) is designed to include persons with disabilities in all consultations, and (vii) includes a comprehensive discussion of environment and social issues, not limited to the harm prevention objective, but also the areas where ESAM can contribute to social, environmental and economic benefits. Consultation must meet the requirements of being "free, prior and informed" and achieve consent of affected people, especially in high-risk projects or projects affecting Indigenous Peoples. Consultations should be integrated into specific steps in the assessment process, such as developing draft Terms of Reference for an ESIA or SESA, draft reports of SESA and social impact assessments, and draft ESMP for Category A projects.

Operations. World Bank operations encompass any Bank financed lending or non-lending financial instruments, including projects, guarantees, programs (as in Program for Results) or programmatic investment lending, policy lending, trust fund activities (including partnerships) and knowledge products or services (including all technical assistance).

Precautionary approach. means that where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.

Risk assessment. Risk is understood as the possibility that environmental, social, health and safety, governance or operation-specific factors may affect environmental sustainability of the operation. An instrument for estimating the probability of harm occurring from the presence of dangerous conditions or materials at a project/operation site. Risk represents the likelihood and significance of a potential hazard being realized; therefore, a hazard assessment often precedes a risk assessment, or the two are conducted as one exercise. Risk assessment is a flexible, iterative method of identification and analysis of risk factors, a systematic approach to organizing and analyzing scientific information about potentially hazardous activities or about substances that might pose risks under specified conditions. The Bank routinely requires risk assessment for projects/operations involving handling, storage, or disposal of hazardous materials and waste, the construction of dams, or major construction works in locations vulnerable to seismic activity or other potentially damaging natural events. For certain

projects, the ESA report may consist of the risk assessment alone; in other cases, the risk assessment is part of the ESA documentation.

Sectoral ESA. An instrument that is most effective prior to project identification decisions and examines social and environmental issues and impacts associated with a particular strategy, policy, plan, or program, or with a series of projects for a specific sector (e.g., power, transport, water & sanitation, or agriculture); evaluates and compares the impacts against those of alternative options; assesses legal and institutional aspects relevant to the issues and impacts; and recommends broad measures to strengthen environmental management in the sector. Sectoral EA pays particular attention to potential cumulative impacts of multiple activities.

Strategic environmental and social assessment (SESA). An instrument that describes analytical and participatory approaches that aim to integrate environmental and social considerations into “upstream” planning criteria for the formulation of policies, plans and programs and to evaluate their inter linkages with economic considerations. The term “Strategic Environmental Assessment” or “SEA” may also be used. SESA is most effective during the country strategy design process and prior to project identification to help prioritize policy options, build consensus and strengthening planning capacity and inform the design of policy, program or project interventions. Strategic environmental assessments complement the environmental and social impact assessment process by streamlining their scope and costs by ensuring that project proposals are set within a policy framework that has already been subject to environmental scrutiny. The SESA process combines analytical work with participatory approaches, which are implemented in a parallel fashion. SESA often informs the design of an **Environmental and Social Management Framework (ESMF) or ESMS**

Significant effects. are environmental or social changes of sufficient magnitude, duration and intensity as to have non-negligible effects (adverse or otherwise) on human welfare or the environment. Analysis of significance should consider context (site specific vs. larger scope), short and long term effects, effect on public safety or geographic area or species with unique characteristics, effect on environmental quality, the possibility of indirect, induced or cumulative effects, or finally, national or local laws and requirements. See Annex B for a presumptive list of significant risk activities.

Sustainability describes the balance between the promotion of a development path that meets the social needs today by reducing poverty and expands opportunity subject to natural, human and other constraints, without reducing the ability of future generations to meet their own goals. Sustainability is indicated by scientifically based threshold criteria for carrying capacity of certain ecosystem processes beyond which the natural reproduction of these processes is at risk. Sustainability can be measured as the ratio of opportunities to constraints for development choices today, compared with the estimation of that ration for the future.

Valued Environmental and Social Components (VECs): Any part of the environment or social milieu that is considered important by the proponent, public, scientists and government involved in the assessment process. Importance may be determined on the basis of cultural values or scientific concern.³³ Consistent with ESAM policy, VECs can include social attributes (culture, public health, economic livelihoods) that are considered sensitive or valued.

ANNEX B: PRESUMPTIVE LIST OF CATEGORY A ENVIRONMENT AND SOCIAL RISK ACTIVITIES

This list applies to “greenfield”, major extension, and transformation-conversion operations, including activities funded as projects or subprojects through investment lending or program loans, or associated with development policy loans. An assessment of the operation must include consideration of potential risks and impacts within the operation’s area of influence (see Annex A above).

An operation and related impacts include the following:

- (1) activities, assets, and facilities owned or managed by the operation client/borrower, the subproject client/borrower, or project contractor, that relate to the operation to be financed;
- (2) other aspects of the operation that provide necessary support to the operation (such as production plant, power transmission corridors, pipelines, canals, tunnels, ports, relocation and access roads, borrow and disposal areas, and construction camps);
- (3) unplanned developments induced by the project (e.g., spontaneous settlement, logging, or shifting agriculture along access roads);
- (4) cumulative impacts from further planned development of the operation or other sources of impacts in the geographical area, any existing project or condition, or other developments that can realistically be expected at the time due diligence is undertaken – and includes potential impacts identified in sectoral, regional, and/or strategic impact assessments; and
- (5) indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities’ livelihoods are dependent.”

Bank environmental and social specialists use this list to make an initial identification of activities presumed a priori to be ‘Category A’ activities. A borrower may try to rebut this presumption by providing publicly-available evidence the activity is not a Category A activity. If the Bank determines, based on this evidence and considering public comments secured during a 60-day comment period, that an activity is not a Category A activity, the Bank must post on the website a detailed description of reasons the activity is not Category A.

This list is indicative and other activities may also be determined to be Category A activities. The categorization of each activity depends on the nature and extent of any actual or potential adverse environmental or social impacts, as determined by the specifics of its design, operation, and location.

If the Bank determines an activity is on this list and presumed ‘Category A’, and the presumption is not rebutted, it must be funded as a direct investment loan, using the full suite of World Bank Group safeguard requirements to address environmental and social risks. An appropriate environmental and social assessment, as outlined in the above policy, is required and must be approved by a Bank-approved Panel of Experts.

Category A activities include:

- a. Crude oil refineries, including the manufacture of lubricants from crude oil and installations for the gasification and liquefaction of 500 tones or more of coal, lignite, or bituminous shale per day.
- b. Thermal power stations and other combustion installations with a heat output of at least 100 megawatts.
- c. [Operations that may emit at least [xxxxx] tones of greenhouse gases.]
- d. Extraction of petroleum and natural gas for commercial purposes.
- e. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tones or more.

- f. Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
- g. Integrated chemical installations; installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are for the production of: basic organic chemicals; basic inorganic chemicals; phosphorous, nitrogen or potassium based fertilizers (simple or compound fertilizers); basic plant health products and biocides; basic pharmaceutical products using a chemical or biological process;
- h. Construction of motorways, express roads and lines for railway traffic; airports with a basic runway length of 2,100 meters or more; new roads of four or more lanes, or realignment and/or widening of existing roads to provide four or more lanes, where such new roads, or realigned and/or widened sections of road would be 10 kilometers or more in a continuous length.
- i. Pipelines, terminals and associated facilities for the large-scale transport of gas, oil and chemicals, sewage, and water.
- j. Sea and river ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tones; trading ports, piers for loading and unloading connected to land, and outside ports (excluding ferry piers) which can take vessels of over 1,350 tones.
- k. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
- l. Large dams and other impoundments designed for the holding back or permanent storage of water, including, for example, for hydroelectric projects, water supply for irrigation or municipal water supply and other purposes, and flood control. This includes any large dam, any cascade of dams planned in the same river basin, and any associated facilities related to dam construction and operation. that produce cumulative impacts on identified VECs in a given spatial and temporal context.³⁴
- m. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
- n. Industrial-scale commercial harvesting operations of tree plantations.
- o. Commercial logging in natural forests
- p. Where tree plantations provide all the raw material, industrial plants for the: (a) production of pulp from timber or similar fibrous materials; or (b) production of paper and board with a production capacity exceeding 200 air-dried metric tones per day.
- q. Large-scale peat extraction.
- r. Large-scale quarries and open-cast mining, and processing of metal ores or coal.
- s. Municipal wastewater treatment plants with a capacity exceeding 150,000 population equivalent.
- t. Municipal solid waste processing and disposal facilities.
- u. Large-scale tourism and retail development.
- v. Construction of high-voltage overhead, underground or submarine electrical power lines.
- w. Large-scale land reclamation.

- x. Large-scale primary agriculture or forestation, reforestation, or afforestation involving intensification on lands for which local individuals or communities are not asserting a claim of use or ownership.
- y. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tones of finished products per day.
- z. Installations for the intensive rearing of poultry or pigs with more than 10,000 places for poultry; 2,000 places for production pigs (over 30 kilogram's); or 750 places for sows.
- aa. Operations that are planned to be carried out in sensitive locations or are likely to have a perceptible impact on such locations, even if the category does not appear in this list. Such sensitive locations include, inter alia, national parks and other protected areas identified by national or international law, conservation units, protected areas and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas important for provision of ecosystem services, and areas with endemic flora and/or fauna, areas of archaeological or cultural significance, and areas of importance for Indigenous Peoples or other vulnerable groups.
- bb. [Operations that may result in resettlement (no more than 100 families) or other significant adverse social impacts to local communities or other affected parties. All resettlement must be entirely voluntary.]

ANNEX C: EXCLUSION LIST

WBG does not knowingly finance, directly or indirectly, operations involving the following:

- a. Financing of projects that contravene applicable international agreements.
- b. Production of arms or military equipment
- c. Production or trade in explosives, munitions or materials capable of being converted to explosives (see exclusion list on weaponry)
- d. Production or export of tobacco products or hard liquor
- e. [Casinos, gambling activities or equivalent enterprises]
- f. The production of or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements (e.g., UN WHO lists), or subject to international phase out or bans, such as:
 - (i) Production of or trade in products containing PCBs.³⁵
 - (ii) Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans.³⁶
 - (iii) Production of or trade in ozone depleting substances subject to international phase out.³⁷
 - (iv) Trade in wildlife or production of or trade in wildlife products regulated under CITES.³⁸
 - (v) Transboundary movements of waste prohibited under international law.³⁹
- g. Extraction, production, processing, transformation, use of, or trade in bonded or unbonded asbestos fibers or asbestos-containing products or asbestos-cement products.⁴⁰
- h. Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.⁴¹
- i. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- j. Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements.⁴²
- k. Production, trade, storage or transport of significant volumes of hazardous chemicals (including gasoline, kerosene, and other petroleum products)
- l. Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit.
- m. Nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
- n. Installations designed for the production or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
- o. Financing or policy reform, including for production and trade in wood or other forestry products, that promotes the introduction of commercial logging operations into previously unlogged natural forest or forests of high conservation value.
- p. Purchase of logging equipment for use in primary tropical moist forest, [including investment in infrastructure for logging].
- q. Conversion or degradation of critical natural habitats and other areas of high conservation value, including significant alteration, damage or removal of any critical cultural heritage. Such exclusions are conditioned on fully respecting indigenous peoples' rights, as well as the economic and cultural practices and traditional knowledge systems of local communities and indigenous peoples that are compatible with ecological sustainability.
- r. Production or trade in wood or other forestry products other than from sustainably managed forests.
- s. Use of natural tropical forest for the production of pulp and paper.
- t. Projects that may cause, contribute to or facilitate forced eviction of affected people, directly or indirectly.⁴³
- u. [Relocation of Indigenous Peoples from traditional or customary lands without their free, prior and informed consent.]
- v. Production or activities involving harmful or exploitative forms of forced labor/harmful child labor
- w. Any business related to pornography or prostitution
- x. Activities which may affect adversely sites of cultural or archaeological significance

ANNEX D: CONTENT OF AN ENVIRONMENT AND SOCIAL ASSESSMENT REPORT FOR CATEGORY A PROJECT

1. An environmental and social assessment (EA) report for a Category A project¹ focuses on the significant environmental issues of a project.⁴⁴ The report's scope and level of detail should be commensurate with the project's potential impacts. The report submitted to the Bank is prepared in English, French, or Spanish, and the executive summary in English.
2. The EA report should include the following items (not necessarily in the order shown):
 - (a) *Executive summary.* Concisely discusses significant findings and recommended actions.
 - (b) *Policy, legal, and administrative framework.* Discusses the policy, legal, and administrative framework within which the EA is carried out. Explains the environmental requirements of any co-financiers. Identifies relevant international environmental agreements to which the country is a party.
 - (c) *Project description.* Concisely describes the proposed project and its geographic, ecological, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement plan or indigenous peoples development plan⁴⁵ (see also sub para. (h)(v) below). Normally includes a map showing the project site and the project's area of influence.
 - (d) *Baseline data.* Assesses the dimensions of the study area and describes relevant physical, biological, climatic, and socioeconomic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project economic feasibility, location, design, operation, or mitigatory measures. The section indicates the accuracy, reliability, and sources of the data.
 - (e) *Environmental impacts.* Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies and fully explains mitigation measures and any residual negative impacts that cannot be mitigated. The Bank assesses proposed mitigation measures on the basis of transparent and fully described estimation of the residual risks, which compares the likelihood, affected population and magnitude of the risk with the likelihood and effectiveness of the remedy, based on evidence from the sector or the borrower's track record. Explores opportunities for environmental enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention.
 - (f) *Analysis of alternatives.*⁴⁶ Systematically compares feasible alternatives to the proposed project site, technology, design, and operation--including the "without project" situation--in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement. Extend time horizon to include all costs and benefits (life cycle accounting); price all externalities; include impact on ecosystem services, including climate; sensitivity analysis;
 - (g) *Environmental and social management plan (ESMP).* Covers mitigation measures, monitoring, and institutional strengthening; see outline in [Annex D](#).
 - (h) *Appendixes*
 - (i) List of ESA report preparers--individuals and organizations.
 - (ii) References--written materials both published and unpublished, used in study preparation.
 - (iii) Record of interagency and consultation meetings, including consultations for obtaining the informed views of the affected people and local nongovernmental organizations (NGOs). The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups and local NGOs.
 - (iv) Tables presenting the relevant data referred to or summarized in the main text.
 - (v) List of associated reports (e.g., resettlement plan, indigenous peoples development plan or integrated resources plan).

ANNEX E: ENVIRONMENT AND SOCIAL MANAGEMENT PLAN (ESMP)

1. A project's environmental and social management plan (ESMP)⁴⁷ is the primary ESA document for Category A projects. For many Category B projects, the ESA may result in a management plan only. It consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation to avoid adverse environmental and social impacts, or eliminate them, reduce them to acceptable levels, or in the last instance, offset them. The plan also includes the actions needed to implement these measures.⁴⁸ The mitigation measures noted in the ESMP must be included as binding conditions of loan covenants.
2. To prepare a management plan, the borrower and its ESA design team (a) design the set of preventive or mitigating measures for the potentially adverse impacts; (b) determine requirements for ensuring that the mitigating measures are implemented effectively and in a timely manner; and (c) describe the means for meeting those requirements. The ESMP includes mitigation, monitoring, capacity strengthening, implementation schedule and integration with the overall project prior to board approval as outlined below (see Figure 1).⁴⁹
3. **Implementation Schedule and Cost Estimates:** For all three aspects (mitigation, monitoring, and capacity strengthening), the ESMP provides (a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and (b) the capital and recurrent cost estimates and sources of funds for implementing the ESMP. These figures are also integrated into the project cost tables.
4. **Integration of the ESMP with Project:** When the project feasibility and ESA are ready, the proponent's decision to proceed with a project is predicated in part on the expectation that the ESMP is implemented effectively. Consequently, the ESMP has to be specific in its description of the individual mitigation, monitoring and institutional measures and execution responsibilities, and it must be integrated into the project's overall planning, design, budget, and implementation. Such integration is achieved by establishing the ESMP within the project so that the plan receives funding and supervision along with the other components.
5. **Mitigation:** The ESMP should follow the mitigation hierarchy, by identifying first how impacts can be avoided, eliminated or reduced to acceptable levels. Only when avoidance or elimination of impacts is not possible or has been done, ESMP then identifies and designs measures to reduce and/or offset potentially significant adverse environmental and social impacts. The plan includes compensatory measures if mitigation measures are not feasible, cost-effective, or sufficient. Specifically, the ESMP:
 - (a) Identifies and summarizes all anticipated significant adverse environmental impacts (including those involving biodiversity, Indigenous Peoples or involuntary resettlement);
 - (b) Designs or describes the technical details of each mitigation measure, including the type of impact to which it relates, the conditions under which it is required, (e.g., continuously or in the event of contingencies), the estimated probability of effective implementation, and the net residual impact for each prioritized impact, together with equipment descriptions and operating procedures.
 - (c) Assesses the potential environmental costs and benefits of these measures relative to pre-mitigation conditions, and
 - (d) Provides linkage with any other mitigation plans (e.g., for involuntary resettlement, Indigenous Peoples, or cultural property) required for the project.

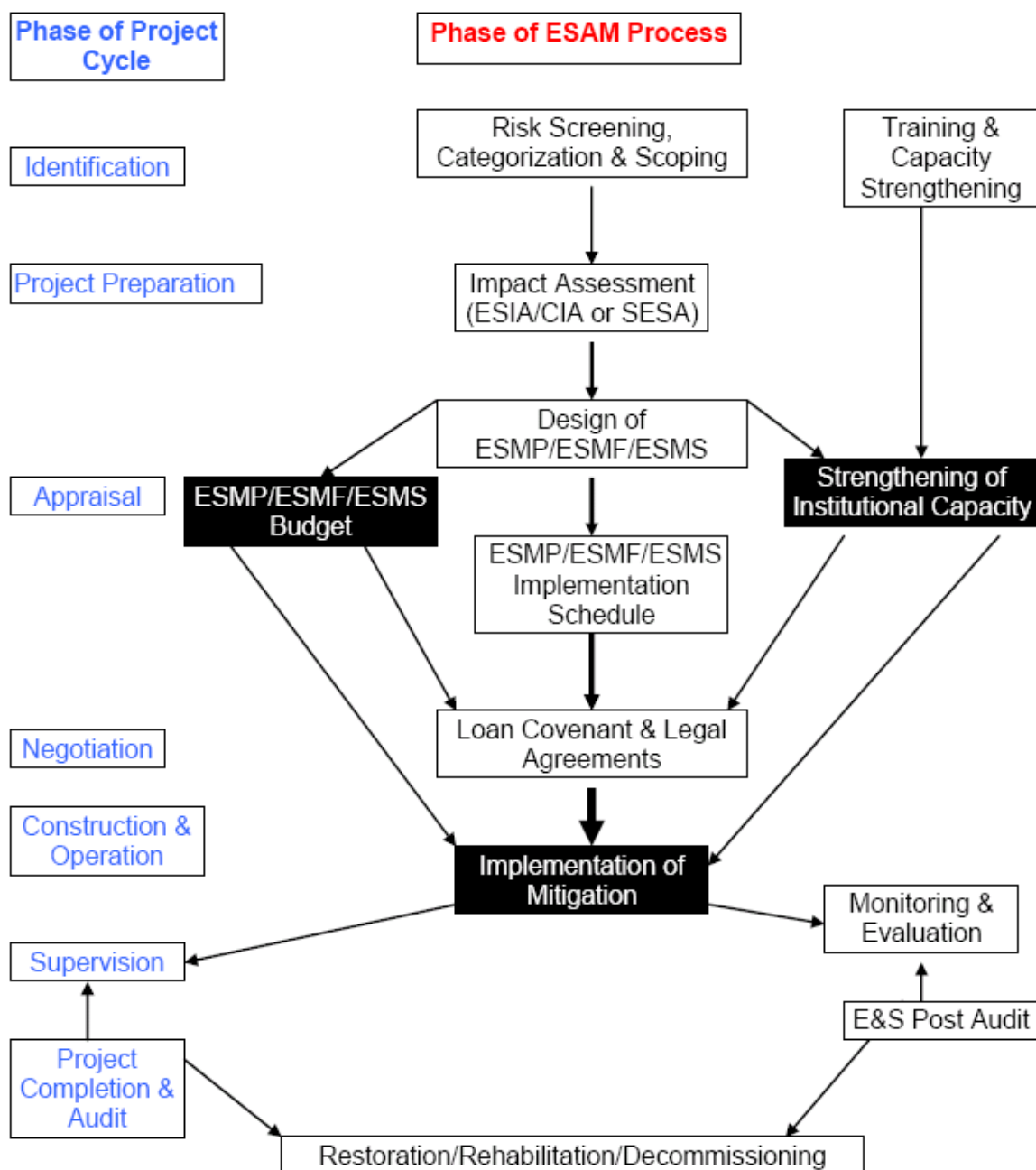


Figure 1. ESMP Implementation Process Flow Chart

6. **Disclosure & Consultation.** The borrower discloses and consults the ESMP as the centerpiece of any ESIA consistent with requirements established in this policy for specific lending instruments. For Category A projects, ESMP is disclosed 180 days before board approval.
7. **Monitoring.** Environmental monitoring during project implementation provides information about key environmental aspects of the project, particularly the environmental impacts of the project and the effectiveness of mitigation measures. Such information enables the proponent and other stakeholders to evaluate the success of mitigation as part of project management, and allows corrective action to be

taken when needed. The ESMP establishes the legal mandate for each task. Therefore, the ESMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the ESA report and the mitigation measures described in the ESMP.

8. In the case that a cumulative impact assessment was required, environmental monitoring provides such information compared to the baseline cumulative impact factors previously identified, for the purpose of cumulative effects analysis within an identified region and time series.
9. Specifically, the monitoring section of the ESMP provides:
 - (a) Specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that signals the need for corrective actions.
 - (b) Monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.
10. **Capacity Strengthening.** To support timely and effective implementation of the mitigating measures, the ESMP draws on the ESA's assessment of the existence, role, and capability of environmental units on site of the proponent and at the municipal and national levels.⁵⁰ For ESA Category A projects, those with significant environmental impacts, the implementing ministry (e.g., the agriculture ministry) and the project sponsor (e.g., an irrigation company) need in-house environmental units with adequate budget and professional staffing strong in expertise relevant to the project. The government's regulatory agency (e.g., the Ministry of Agriculture) has its own E&S capacity that should be kept up to strength as needs change through the years. The E&S Units of the financiers are paid as all other units, by the financiers. The performance of the corporations E&S Units is assessed periodically by the Panel of Social and Environmental Experts (PoE) (see Annex I) and strengthened as necessary.
11. Most of the in-house E&S professionals are located at the project site. The ESMP evaluates existing institutional capacity and provides strengthening including establishment, expansion or training of staff, to allow implementation of ESMP. Specifically, the ESMP provides a specific description of institutional arrangements—who is responsible for carrying out the monitoring measures (e.g., for construction, operation, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training).
12. **Integration of ESMP into Impact-Benefit Agreement (IBA).** The draft ESA report is given to or made accessible to all stakeholders – potentially impacted people, government, financiers -- who are expected to approve it or not. A stakeholder may condition their approval on certain changes to the project, which need to be agreed to by project sponsors.
13. Assuming stakeholders or their representatives or leaders or advocates approve the ESA, Good Practice is to extract the Mitigation Plan from the ESA and convert it into an Impact-Benefit Agreement (IBA). This codifies into a single judicial contract all the mitigating measures, compensation, allocation of benefits, offsets, performance bonds, insurance, grievance mechanisms, redress and systems of penalties. Project sponsors and affected stakeholders then sign this legal document, which is then implemented.
14. In some countries, a government agency incorporates such agreements into the project approval decision. In others, the government agency merely takes public comments into account in formulating the project approval decisions and attaches conditions. The conditions flow either from the “contract” or from “legal statutory authority”. Either way, what needs to be stressed is that stakeholder agreements and concerns are incorporated into a legally enforceable project approval.
15. If the potentially impacted stakeholders approve the ESA and sign the IBA that constitutes free prior and informed consent (FPIC)

ANNEX F: SESA, ESMF and ESMS

1. A strategic environmental and social assessment (SESA) integrates key environmental and social considerations during the earliest decision making stages of project preparation as well as implementation of Bank financed operations involving investment through policies, programs and plans. SESA is suitable to assessing and managing social and environmental risk for any financing instrument for which the location, size or specific scope of subproject level investments has not been determined at the time of Board approval. SESA refers to a flexible, risk assessment and management tool for Bank funded activities that are often national in geographic scope and multi-sectoral in administrative character.⁵¹ As investments that involve increased uncertainty and risk, SESA is a requirement that ensures compliance with the World Bank's safeguard policies (see Appendix C, ESAM Requirements for Investment Lending and Non-Investment Lending Operations using Frameworks or Borrower Systems).
2. A SESA final report specifies priority actions that are incorporated directly into the design of the Bank's operation, either as a stand alone action plan, through an environmental and social management framework (ESMF) or through the design of environmental and social management system (ESMS). The scope and level of detail in a SESA action plan, an ESMF or an ESMS should be commensurate with the projected potential impacts of the associated subprojects, activity(ies), policy (ies) or regulation (s).
3. The SESA has the following objectives: (i) assure that the main environmental and social risks and opportunities of policies, plans or programs have been properly identified; (ii) engage early-on governments and potentially affected parties in the identification and analysis of strategic issues, actions, and development alternatives; (iii) define and agree on a sequence of actions to address systematically and strategically environmental and social risks, and priority actions, summarized in a SESA action plan for adequate monitoring and follow up; and (iv) assure that adequate environmental social information is available and collected for the decision making process. The SESA process should be triggered early in the decision-making process and prior to the implementation of Bank funded policies, plans or programs.
4. SESA design and consultation: The scope and level of detail in the design of a SESA Terms of Reference should be commensurate with the potential impacts of the policies or sectors involved, but as narrow as possible. SESA involves an iterative process of analysis and consultation that for Category A projects, meets the same disclosure, consultation and accountability requirements as required for an EIA. The SESA process should include a public consultation on the TOR to ensure issue prioritization, adequate confidence in the process, proper facilitation, and to identify capacity strengthening needs required to effectively carry out the SESA. The SESA process should involve at least three instances of public consultation that involve discussion of the SESA approach, preliminary findings along with the TOR for an ESMF, and a draft ESMF. All public consultation on SESA or ESMF should be consistent with a country's laws and regulations.
5. The SESA process should include the following items (not necessarily in the order shown):⁵²
 - (a) *Stakeholder analysis and public participation plan.* A stakeholder analysis maps the actors most affected by the policy, program or plan, with attention to power differences as a possible obstacle to stakeholder engagement and representation. A participation plan explains when and how stakeholders is part of design and decision making process of the policy, program or plan. A Participation Plan should establish an institutional structure that ensures meaningful participation in decision-making concerning relevant strategic issues and activities. The participation plan should detail the rules of the game for setting priorities and making decisions. Given the different levels of awareness, knowledge and capacities of the different

stakeholders on the issues and the process itself, particularly at this strategic entry stage, a dedicated public education component is necessary to foster engagement. A consultation process should be clearly indicated in the participation plan, detailing milestones within a chronological sequence for all the necessary actions and measures to ensure an informed participatory approach identifying potential dates for when national and/or regional workshops for consultation, information sharing and/or capacity building.

- (b) *Public communication and disclosure plan*: Robust consultation also depends on a predictable and complete plan for access to and opportunities for providing relevant information. An early input to the SESA process is a draft plan for public communication and disclosure of relevant documents, including detailed explanation of the operation of environmental and social risk screening, scoping and appraisal process, progress reports, preliminary findings, technical background documents (including CEA, CPIA, PSIA), prior to a final draft of the ESMF. A draft ESMF is also disclosed for public consultation. The public communication and disclosure plan should be disclosed at the outset of the SESA process and updated as needed.
- (c) *Policy, legal, and institutional capacity analysis*. SESA assesses the adequacy of the applicable national and local laws, regulations, and standards on environmental and social assessment and management, including applicable international environmental agreements. This section clarifies the objective and relevant principles governing subproject, activity and/or component preparation and implementation. This section also assesses the adequacy of the borrower's/clients institutional capacity, at relevant administrative levels, in implementing the ESMF or ESMS, in compliance with national laws and the requirements of the World Bank and any co financiers and identifies capacity development needs. The analysis may extend to inter-sectoral coordination, staffing and budget. As gaps are found, recommended capacity building actions are outlined.
- (d) *Policy, program or plan description*. SESA concisely describes the proposed policy, program or plan and its geographic, ecological, social, and temporal context, including the range of past, existing, planned and reasonably foreseeable investments that may be induced. This scope of investment should indicate the need for any resettlement plan or indigenous people's development plan⁵³ (see also sub para. (h)(v) below) and may include a map showing the policy, program or plan's area of influence.
- (e) *Baseline data*. SESA assesses the dimensions of the study area and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the policy, program or plan commences. Data should be relevant to decisions about possible location, design, operation, or mitigatory measures associated with the investments that are likely to be produced by the policy, program or plan. This section indicates the accuracy, reliability, and sources of the data. SESA identifies key data gaps and uncertainties associated with predictions, providing specified, time bound actions to fill the most significant gaps.
- (f) *Anticipated environmental and social impacts*. SESA predicts and assesses the program, plan or policy's likely positive and negative impacts and their distribution, in quantitative terms to the extent possible. The analysis identifies mitigation measures and any residual negative impacts that cannot be mitigated. It explores opportunities for environmental and social enhancement, and specifies topics that do not require further attention.
- (g) *Analysis of alternatives*.⁵⁴ SESA systematically compares feasible alternatives to the proposed policy, program, or plan choice, technology, design, and operation--including the "without" situation--in terms of their potential environmental and social impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. For each of the alternatives, SESA quantifies the environmental social impacts of each alternative to the extent possible, and attaches economic values where feasible. States the basis for selecting

the particular policy design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.

- (h) *Environmental and social management framework or system with action plan (ESMF/ESMS)*. SESA recommended action in the form of a stand alone plan, an ESMF, or in the case of Program for Results, Financial Intermediaries and lending through the use of borrower systems, an ESMS, specifies the main risks to the natural environment or to human communities associated with the pursuit of the proposed policy, program, plan options. The ESMF/ESMS also specifies the list of World Bank safeguard policies most likely to apply. Finally, the ESMF/ESMS specifies how the applicable World Bank safeguard policies is met through procedures for the screening, assessment, approval, mitigation, and monitoring and reporting of social and environmental risks and impacts associated with policy, program or plan funded or supported activities, as well as measures for institutional strengthening and public consultation.⁵⁵ This section may also outline specific environmental criteria to be used for subproject selection, for example, the World Bank's exclusion list (Annex B)
6. A terms of reference for an ESMF or ESMS should be consulted within the SESA process that includes key sections noted above. A final ESMF or ESMS report provides address:
 - a. *Disclosure and Consultation*. Procedural requirements for meaningful public consultation of affected people during preparation and implementation of subprojects or policy actions. The section discusses information disclosure arrangements, including timely and accessible disclosure of subproject ESIAs, and indicating how the ESMF is integrated into ongoing consultation processes in the country. This section also discusses arrangement for addressing grievances.
 - b. *Implementing Plan, including detailed budget for the ESMF/ESMS*. This section specifies the responsibilities and authorities of the borrower/client, WB, and government agencies in relation to the preparation, submission, review, and clearance of environmental assessment reports of subprojects and/or components. This section estimates the staffing requirements, and recommends a capacity development program, where necessary. It also provides the cost estimates for implementing the environmental assessment and review framework, and budgetary requirements.
 - c. *Monitoring and Reporting* This section specifies monitoring and reporting arrangements, including mechanisms and report submissions to the World Bank appropriate to the project. Reporting includes evidence of
 - (i) more accurate and complete data regarding the social and environmental risks of proposed operations
 - (ii) an informed public, particularly the most affected communities, and other measures of effective communication
 - (iii) that stakeholders views are adequately reflected in criteria established for prioritizing policy, program or plan design
 - (iv) decision making on risk management of moderate risk subprojects is predictable, accountable
 - (v) improved national laws and institutions
 - (vi) timely and effective disclosure of relevant subproject risks and impacts

7. Relevant Background information

- List of SESA report preparers--individuals and organizations.
- Description of the SESA public consultation process
- References--written materials, both published and unpublished, used in study preparation.
- Record of interagency and public consultation meetings, including consultations for obtaining the informed views of the affected people and local nongovernmental organizations (NGOs). The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups and local NGOs.
- Tables presenting the relevant data referred to or summarized in the main text.
- List of associated reports (e.g., resettlement plan or indigenous peoples development plan)

ANNEX G. ESMS CAPACITY ASSESSMENT TEMPLATE

Environment and Social Management System - Institutional Capacity Indicators: (for benchmarking progress toward borrower system equivalence/acceptability)⁵⁶

1. Environmental and social policy and institutional commitment

- Formal social and environmental policy, procedures and documented processes that is binding on subproject approval, applicable to full borrower portfolio similar to OP/BP 4.01
- Stable regulatory framework (division of responsibilities)
- Clear roles and responsibilities for S/E functions, including at different levels of government
- Policy purpose encompasses both precautionary principle (“do no harm”) as well as mainstreaming sustainability as development objective (“do good”)
- Management commitment to implement policy (e.g. develop and maintain the necessary internal capacity and structure to ensure implementation, communicate policy to staff, the public and clients)
- Overall level of borrower entity management authority vis a vis other public and private actors (inter-sectoral coordination)
- Track record of policy implementation (procedure updates, training certification, ESMPs, audits, history of incidents, etc)
- Exclusion list
- Signatory to any international or national agreements concerning social or environmental issues
- Existence of legal disputes or public environmental concerns related to priority investment sectors or subprojects.
- Functioning grievance mechanism

2. Internal organizational capacity and competency

- Management environmental expertise, stability, vision (sustainability lead)
- S/E unit staffing resources and authority vs. need and competing interests
- Staff certification in key E & S functions (social & environmental screening & compliance verification)
- Staff development plan & technical assistance programs in place
- Planning capacity
- Budget vs. expenses
- Internal process for sharing E/S information

3. E & S due diligence processes and procedures to identify risks and impacts of borrowers investment portfolio

- Upstream risk management instruments (including predetermined list of possible subprojects and guidance on SESA/ESMF)
- S/E risk procedures for screening, assessment, mitigation/corrective action plans of subproject site specific environmental and social impacts
- Management of portfolio risk through comprehensive tracking system of screened, appraised and implemented subprojects (breakdown of portfolio by risk category, sector, performance, with documentation on hand)
- Sector analysis exists
- Use of decision support tools for biodiversity, spatial land use restrictions, etc.
- S/E advisory services to clients
- ESMS documentation (ESIAs/ESMPs)
- Preparation of time bound action plans for avoiding, reducing, mitigating or offsetting any adverse impacts
- E/S covenants in legal agreements

4. Monitoring and reporting

- Supervision procedures and evaluation benchmarks exist (routine S/E performance indicators exist)
- Routine subproject monitoring reports exist, including management of significant risk, ESMS implementation, and any non-compliance issues.
- Adequate information exists to track all subprojects
- M&E of implementation of corrective or gap filling action plans, including arrangements for participatory monitoring and external consultants/experts.
- Quality of S/E performance, including ESMS review updates with evidence of continuous improvement.
- Existence of legal disputes, non-compliance or public environmental concerns related to any subprojects or the implementing agency.

5. Transparency, Accountability and Knowledge management

- External communication of S/E policy and performance (website, annual reports, corporate statements)
- Adequacy of data collection systems to aggregate risk across portfolio (including disaggregated data based on gender, ethnicity or other vulnerable population segment)
- Existence and quality of social and environmental project/program outcome indicators
- Are program level results disclosed (frequency/reliability/quality of S/E performance indicators/evidence or GRI type sustainability report)
- Are subproject level results disclosed (frequency/reliability/quality/verifiability)
- Evaluations and monitoring reports are adequately disclosed and communicated in cultural appropriate ways
- Do program and sub-project operational designs demonstrate learning from prior results
- Borrower entity board of directors' capacity and commitment to monitor E/S policy implementation.

ANNEX H. ESAM SAFEGUARD OUTCOME INDICATORS

Indicative list of possible safeguard outcomes and indicators for inclusion in operation results frameworks.⁵⁷

A. Mitigation of Negative Impacts (MNI): *(do no harm indicators)*

- Reduction in accidents or health damages, and improved safety standards for the population, particularly vulnerable or discriminated-against populations (any avoided adverse impacts)
- Protection of use rights from common property resources

“Doing good” indicators

B. Strengthened Client Capacity (SCC): (to distinguish between actions that strengthen client systems versus actions that are conducted by Bank staff or consultants through technical assistance)

- any capacity gap filling measures to build and sustain client capacity, such as in the areas of baseline data, SESA/CIA, and supervision (i.e. updated forest inventory exists,)
- risk management practices sustained after the project (ESMF adopted as institutional practice across a program or sector)
- client E/S risk management budget is adequate, predictable and sustainable (or has increased), incentives strengthened
- ESMS overall capacity index score has increased
- sustainability is routinely assessed and promoted
- coordination with other development partners

C. Enhanced Positive Impacts (EPI):

- improved livelihood opportunities, fairly distributed among affected populations
- compensatory mechanisms for enhanced development opportunities (e.g. increased access to essential services, expanded mitigation programs for effective PA mgmt)
- evidence that the potentially impacted communities are aware of and have access to the grievance redress mechanism operating at the national, subnational and local levels, that is transparent, impartial, has a clearly defined mandate, and adequate expertise and resources (e.g. public grievance registry exists)
- improved governance (participation, transparency, accountability): affected groups have effective access to information on the project and are meaningfully consulted in the project design and implementation (e.g. public disclosed consultation outcomes)
- land tenure is more secure, particularly for vulnerable or discriminated-against populations (or affected people are fairly compensated for the loss of land and other assets taken for development purposes; and are able to improve standards of living and livelihoods.
- environmental and social measures introduced for the project were being applied across the sector more broadly beyond the physical footprint of the project;
- institutional arrangements made to continue environmental and social measures beyond the life of the project
- socioeconomic measures introduced included additional risk management measures, such as gender equity, going beyond compensation for adverse impacts and resulted in a sustainable stream of benefits or livelihood standards for local communities that exceeded pre-project levels
- the environmental and social measures introduced for the project went beyond compliance with standard requirements (e.g. energy efficiency, GHG mitigation, climate adaptation, other ecosystem service restoration, or reduced biodiversity loss).
- broad community support is sustained or increases (respect to baseline)
- better management of environmental, social, health and safety risks
- Improved community and government relations (e.g. time savings, etc. due to decline in incidence of social conflict)
- enhanced borrower reputation, brand value and market potential that is associated with improved sustainability performance
- Improved borrower access to funding

ANNEX I. PANEL OF INDPEDENDENT SOCIAL AND ENVIRONMENTAL EXPERTS

Selection of Experts. POE members should be senior professionals and undisputed leaders in their fields, with several decades of relevant experience. Specific experience is critical. It has to be fairly recent and it has to be appropriate to the sector or type of project being examined. A world class dam expert may not have kept up with the latest technology in pipeline technology, for example. POE's are too expensive to permit steep learning curves. Panelists should have more experience than project experts or consultants employed by the project. If the POE does not provide clear value added, it was not appropriately selected. Based on this leadership and experience, panelists should have individual scientific reputations built up over the years.

The reputation aspect is important in order to resolve judgmental and qualitative disagreements with project proponents, government, international finance institutions, and civil society. Panelists differ from Government staff and consultants in that the latter are more beholden to their employers and may be more biased. The names, addresses and affiliations of panelists should be appended to their reports, although they work in an individual capacity. Panelists have to be frank and protect their scientific reputations as they know critics will argue with them. Panelists put their reputations for scientific integrity and independence on the line in drafting and signing their reports. Panelists need to be able to stand up to the project proponent in the face of negative findings. Regular consultants may tend to sanitize their findings in order to keep on being hired. Panelists should prefer to be frank and straightforward and should not depend so much on re-hiring.

Timing and Frequency. Ideally, the PoE should be appointed well before the project is identified following sectoral studies which normally rank potential projects in an order of quality. If the PoE can participate in the sectoral rankings leading to project selection, so much the better although this still is an exception.

Certainly the PoE should be up and running before or at the latest as soon as the first project is identified. The PoE works in the project area commensurate with need. If the in-house unit functions well and the project is not controversial, annual visits might be appropriate of say one week in the field. If the in-house unit is weak, or if there are problems with the ESA, the PoE may have to visit a few times a year. Once the ESA is going smoothly and there are no major problems, PoE should check on progress once a year during operation, through decommissioning and restoration. Any problem with which the in-house unit needs support, the PoE should be called in.

[ANNEX J. DAM SAFETY]

1. The World Bank requires borrowers to assess the structural risk of hydroelectric or related infrastructure faced by sudden disasters caused by climate change such as glacial outburst, cloud burst, flooding, high intensity precipitation, silt inflows, drought, tectonic and geological activity, and subsidence. Borrowers must incorporate design changes in siting, turbine type, wall height, and reservoir design to address these risks that do not decrease the resilience and adaptive capacities of downstream ecosystems and users.
2. Borrowers must implement cumulative disaster potential assessments in the case of river basins with multiple planned or existing dams. These assessments must measure possibilities of simultaneous flood releases and disaster probabilities.
3. Borrowers must weigh the climate-induced safety risks associated with large-scale infrastructure against those associated with smaller infrastructure options.]

¹ See WB OP 4.10 Indigenous Peoples, OP 4.11 Physical Cultural Resources, OP 4.12 Involuntary Resettlement; ITUC submission on Labor and Safety;

² This section is based on recommendations outlined in Steven Herz (March 20, 2013) "Sustainable Development in a Changing Climate: Designing a Climate Sensitive Safeguard Policy Framework," Sierra Club Submission to World Bank Safeguard Policy Review, Climate Change Expert Session Meeting.

³ Use of offsets should be qualified so as not to be used to mitigate adverse impacts on critical natural habitat.

⁴ ref to Nat Habitat OP 4.04

⁵ In accordance with [ref. section in] OP 4.12

⁶ See EA Sourcebook Updates 7 (Coastal Zone Management), 17 (Analysis of Alternatives), 20 (Biodiversity), 23 (Economic Analysis of EA), and 28 (Wetlands).

⁷ See Definitions, Appendix A for concepts related to cumulative impact assessment.

⁸ U.S. Council on Environmental Quality, 1978

⁹ Refer to CEQ (2007)

¹⁰ See [IFC Guide to Human Rights Impact Assessment and Management](#)

¹¹ These recommendations are taken from Titi Soentoro, "Gender Assessment on World Bank Safeguard Policies under Review and Recommendations for Protection to Women and their Environment" submission to World Bank Safeguard Review, March 3, 2013

¹² See Bank Information, "Disability and World Bank Safeguards Campaign" policy brief (April 4, 2013)

¹³ This section summarizes recommendations outlined in Oxfam and IDI, "A Proposal for New World Bank Safeguards on Tenure of Land, Housing and Natural Resources," (April 2013), submission to the World Bank Safeguards Review,

¹⁴ Use of offsets should be qualified so as not to be used to mitigate adverse impacts on critical natural habitat.

¹⁵ The precedent for 180 days was a benchmark established under IDA-9 and anything less would constitute dilution.

¹⁶ The borrower otherwise complies with the requirements of the WB Access to Information Policy.

¹⁸ CAS requirements apply to Interim Strategy Notes and Country Partnership Strategies, including both blend and non-borrowing country strategies.

¹⁹ CDESIA share similar rationale and approach as Community Driven Development projects. See Appendix A for CDESIA definition.

²⁰ See Appendix A. Guidance on the use of sectoral and regional EA is available in [EA Sourcebook Updates 4 and 15](#)

²¹ See Conservation Strategy Fund, "Financial Mechanisms for Greener Infrastructure," manuscript

²² See Appendix A for definition, and Appendix B, Annex A for an presumptive list of Category A activities

²³ Many of these lending modalities normally involve the preparation and implementation of annual investment plans or subprojects as time slice activities over the course of the operation.

²⁴ The World Bank's Worldwide Governance Indicators may be particularly useful in this regard. Also to consider: Transparency International's Corruption Perception Index, or perhaps key criteria measured by the CPIA.

²⁵ The Bank currently conducts a Country Policy and Institutional Assessment (CPIA), which constitutes an index of 16 performance criteria grouped in four clusters, of which one "governance" cluster heavily weights the overall CPIA score. The screening criteria for framework or borrower system lending could adapt the CPIA to assess these areas of governance, around which there is already substantial overlap. Just as the CPIA score is used to

²⁶ This ESMS or ESMF may include a resettlement framework, or an Indigenous Peoples planning framework (IPPF) as defined and governed by OP 4.10 and OP 4.12.

²⁷ Commitment is typically expressed through national legislation, official policies and resource allocation. This process is similar to the 'equivalency determination' used by the Bank for Country Systems, 9.00

²⁸ Where, pursuant to regulatory requirements or contractual arrangements acceptable to the Bank, any of these review functions are carried out by an entity other than the coordinating entity or implementing institution, the Bank appraises such alternative arrangements; however, the borrower/coordinating entity/implementing institution remains ultimately responsible for ensuring that subprojects meet Bank requirements.

²⁹ The criteria for prior review of subprojects, which are based on such factors as type or size of the subproject and the EA capacity of the financial intermediary, are set out in the legal agreements for the project.

³⁰ An alternative to this is the Panel of Experts to assess risk associated with these activities. So, rather than the Bank providing evidence, a Panel of Experts could review risks associated with activities presumed to be more than moderate risk.

³¹ Any borrower included in the project after appraisal complies with the same requirement as a condition of its participation.

³² For a summary of this approach, see Ciaran O'Faircheallaigh (1999) "Making Social Impact Assessment Count: A Negotiation-Based Approach for Indigenous Peoples," *Society and Natural Resources*, 12: 63-80; C. O'Faircheallaigh, "Community development agreements in the mining industry: an emerging global phenomenon," *Community Development*, Aug. 13, 2012, pp. 1-17

³³ See U.S. Council on Environmental Quality (CEQ) (2007) Regulations for Implementing the Procedural Provisions of the National Environmental Policy Act (NEPA), www.nepa.gov at ceq.hss.doe.gov/ceq_regulations/regulations.html.

³⁴ As per the definition of the International Commission on Large Dams (ICOLD). ICOLD defines a large dam as a dam with a height of 15 meters or more from the foundation. Dams that are between 5 and 15 meters high and have a reservoir volume of more than 3 million cubic meters are also classified as large dams.

³⁵ PCBs: Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

³⁶ Reference documents are EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

³⁷ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the EBRD.

³⁸ CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the EBRD.

³⁹ Reference documents are: Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations; Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal

⁴⁰ See May 2009, Good Practice Note: Asbestos: Occupational and Community Health Issues.

⁴¹ Relevant international conventions include, without limitation: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; Convention on Biological Diversity.

⁴² This includes: tankers which do not have all required MARPOL SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU) and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used.

⁴³ The definition of forced evictions from the UN Basic Principles and Guidelines on Development-Based Evictions and Displacement (para 4): "acts and/or omissions involving the coerced or involuntary displacement of individuals, groups and communities from homes and/or lands and common property resources that they occupied or depended upon, thus eliminating or limiting [their] ability...to reside or work in a particular dwelling, residence or location, without the provision of, and access to appropriate forms of legal or other protection."

⁴⁴ The EA report for a Category A project is normally an environmental impact assessment, with elements of other instruments included as appropriate. Any report for a Category A operation uses the components described in this annex, but Category A sectoral and regional EA require a different perspective and emphasis among the components. The Environment Sector Board can provide detailed guidance on the focus and components of the various EA instruments.

⁴⁵ See [OP/BP 4.12, Involuntary Resettlement](#), and [OP/BP 4.10, Indigenous Peoples](#).

⁴⁶ Environmental implications of broad development options for a sector (e.g., alternative ways of meeting projected electric power demand) are best analyzed in least-cost planning or sectoral EA. Environmental implications of broad development options for a region (e.g., alternative strategies for improving standards of living and a rural area) are best addressed through a regional development plan or a regional EA. EIA is normally best suited to the analysis of alternatives within a given project concept (e.g., a geothermal power plant, or a project aimed at meeting local energy demand), including detailed site, technology, design, and operational alternatives.

⁴⁷ This process is similar for the design and implementation of environmental and social management frameworks or systems (ESMF, ESMS), as applicable to framework investment lending and borrower system lending. See Annex F.

⁴⁸ The management plan is sometimes known as an "action plan." The ESMP may be presented as two or three separate plans covering mitigation, monitoring, and institutional aspects.

⁴⁹ For projects involving rehabilitation, upgrading, expansion, or privatization of existing facilities, remediation of existing environmental problems may be more important than mitigation and monitoring of expected impacts. For such projects, the management plan focuses on cost-effective measures to remediate and manage these problems.

⁵⁰ For projects having significant environmental implications, it is particularly important that there be in the implementing ministry or agency an in-house environmental unit with adequate budget and professional staffing strong in expertise relevant to the project (for projects involving dams and reservoirs, see [BP 4.01, Annex B](#)).

⁵¹ Typical instruments of this type include DPOs, P4R, lending through the use of borrower systems, and some framework investment lending, such as SWAP, APL, CDD and FI loans.

⁵² For reference, see World Bank FCPF SESA/ESMF Process Flowchart, and Guidelines and Generic Terms of Reference for SESAs and ESMF,

⁵³ Consistent with [OP/BP 4.10 Indigenous Peoples](#) and [OP 4.12 Involuntary Resettlement](#)

⁵⁴ Environmental implications of broad development options for a sector (e.g. alternative ways of meeting projected energy demand) are best analyzed through least cost planning or Sectoral ESA. Environmental implications of broad development options for a region (e.g. alternative strategies for improving standards of living in a rural area) are best addressed through a regional development plan or a regional ESA. See EA Sourcebook, Sector EA Update for a list of methods for alternatives analysis.

⁵⁵ The final draft of the ESMF should make clear its consistency with all aspects of OP 4.01, the requirements of which should apply to all subprojects.

⁵⁶ Ref. IFC Interpretation Note on FIs, (2012); World Bank EA Sourcebook update, "[Financial Intermediary Lending and Environmental Assessment](#)," No. 27 (June 2012) and IFC First for Sustainability website and toolkit for FI ESMS.

⁵⁷ See IEG (2010) Safeguards and Sustainability Policies in a Changing World, chapters 3 & 4.

Environment and Social Assessment and Management Model Policy – Top Recommendations
Bank Information Center
April 30, 2013

1. Policy scope: OP 4.01 should ensure compliance with the Pelosi amendment by providing for **uniform, effective application** of social and environmental risk management requirements to all Bank activities (including projects and subprojects) resulting in similar treatment/requirements for similar risks. All Bank funded activities should be categorized, with significant risk activities requiring an ESIA (or SESA as appropriate) that is meaningfully consulted and disclosed before appraisal. Adequate risk assessments and management plans of risky projects must be provided to the Board before approval of the project.

2. Policy architecture: The Bank must retain original responsibilities under OP 4.01 for any projects with potential adverse social or environmental risks, which include performing initial risk identification, requiring verification of information at key steps in the process, ensuring greater transparency of monitoring information and grievance redress during implementation.

3. Strengthened provisions for ESA quality shall ensure that:

- all ESIA or SESA for Category A activities are properly disclosed and meaningfully consulted at least 180 days prior to Board decision.
- all significant risks be categorized as Category A, backed by a robust indicative Cat. A list and an exclusion list
- clearer requirements exist for SESA as a pre-project risk assessment tool for CAS/CPS, DPLs, P4R and certain IL with significant, adverse potential S/E risks.
- clearer and stronger requirements exist for baselines, area of influence, associated impacts, and cumulative impact assessment
- expanded coverage exists of social risks including the presence of a requirement for assessment of specific impacts of projects on children and persons with disabilities;
- measures to assess climate change risks protect ecosystem services, promote resource efficiency and lead to pro-poor outcomes;
- streamlined rules to apply the mitigation hierarchy to the most highly ranked impacts and guarantee the implementation of an E/S management plan

4. Criteria and support for borrower systems and framework lending: OP 4.01 must establish clear requirements and provide adequate support to ensure that Borrowers are qualified to manage risks through use of borrower systems through program or framework lending. Top level eligibility screening criteria for borrower systems and framework lending should include, but not be limited to, dealing well with corruption, transparency, and accountability, and that borrower standards applied for subproject investments are effectively equivalent to OP4.01, including application of an exclusion list. All high risk subprojects identified under borrower systems or framework lending and supported indirectly by a World Bank operation that do not meet proposed screening criteria should be treated as self-standing Category A investment operation. P4R operations should continue to exclude Category A activities.

5. Implementation: Improving the quality of operation supervision should ensure binding social and environment management plans that include the option of codifying ESMPs in contracts with affected communities, greater use of independent and community monitoring, and commitment to better tracking of safeguard outcomes as well safeguard costs and benefits.

World Bank Lending Covered by Safeguard OP 4.01 (Environment Assessment)

Explanation of Data Sources, Coding and OP 4.01 Coverage

Bank Information Center

Vince McElhinny

April 2013

Research Question: The Safeguards Policy review provides an opportunity to assess opportunities and risks in revising the World Bank's current policy framework. A critical question for assessing the relevance of the Bank's current safeguard policy framework is how much of the lending portfolio is actually compliant with OP 4.01 Environment Assessment, which is considered the foundational safeguard policy. More specifically, how many World Bank operations have been covered by OP 4.01 or its prior equivalent safeguard policies since the World Bank began lending operations in 1947? To answer this question, I used the Bank's own project database to construct a list of Bank approved projects between 1947 and 2012.¹

Data Description: Since 1947, the World Bank (IBRD and IDA) has approved approximately US\$ 1,540 billion in lending and grant operations, or about \$23.7 billion over the Bank's 65 year lending history. The Bank's project database lists 14,245 individual projects that have been approved or are in preparation since the first four reconstruction operations in 1947 as of Dec. 31, 2012.

What is included in the data: The database includes only the 13,928 approved IBRD and IDA projects, which in terms of the number of projects are mostly investment lending instruments (88%), development policy loans (11%), trust fund projects (1%), some guarantees, and 5 recently approved Program for Results operations. Trust fund projects include Recipient Executed Activities, GEF, Debt Reduction Facility, Rainforest and many Special Financing operations. Carbon Offset and Montreal Protocol transactions involve the World Bank in facilitating the emissions reduction rather than any direct lending.

What is not included in the data: The database does not include the 325 projects in preparation or the 910 projects listed as "dropped." The date also does not include any IFC or MIGA projects.

Explanation of data set and coding: The primary research question is to what extent has coverage of OP 4.01 of all Bank operations changed over time. The analysis focuses on the relationship between three variables: **Environmental Category, Total Bank Lending, and Calendar Year.**

Environmental Category as a proxy for potential coverage of OP 4.01: The Bank defines Environmental Category as follows: "*World Bank's Safeguard Policy on Environmental Assessment requires that each project be assigned an environmental category as part of an environmental screening. This screening will also determine if the project triggers any other [Safeguard Policies](#). A description of each [environmental category](#) is available.*"

Because OP 4.01 is the only Bank safeguard policy that requires Bank projects to be given an environmental categorization as part of the screening process for social and environmental risk, having values of A, B, C or D for Environmental Category is a first indicator of *potential* coverage by OP 4.01. A project is coded as 1 if it has an Environmental Category value of A, B, C or D. Alternatively, the project is coded a 0 if having values of FI, U, DPL or No Data, which are considered as Bank operations

¹ The World Bank project database allows users to download project data to an excel file. While this tool does not work when downloading large numbers of projects, our database was constructed by sequentially downloading groups of projects and combining these datasets into a single database. Cross checking lending totals with annual reports indicate that the database is an accurate estimate of Bank approved operations, with noted limitations in terms of gaps in the Bank's own reported data.

that are not covered by OP 4.01. FI is identified in OP 4.01 as a risk category, but is treated as not adequately covered by OP 4.01 for reasons described below.

This analysis only assesses potential coverage of OP 4.01, rather than actual adequate coverage or full compliance. Having an A, B, C or D environmental category value is a necessary but not sufficient condition for determining compliance with OP 4.01. The analysis of IBRD and IDA projects does not thoroughly assess the full range of Environment Assessment requirements, including the timing of EA disclosure, the timing and quality of EA consultation, or attributes of EA quality, which are all associated with the respective environmental categories. In addition, I make several judgments regarding coverage of certain instruments:

- **Sector Adjustment Loans (SECALs)** are considered as potentially covered by OP 4.01 until 2004, although this coverage was eliminated in 2004 by the introduction of OP 8.60 for all DPLs;
- All other **Development Policy Loans** (498) are considered as not covered;
- Projects with a **D categorization (22 Environmental Projects)** are considered as potentially covered by OP 4.01;
- 201 Projects with F category values (**Financial Intermediary**) are considered not adequately covered by OP 4.01 due to widely recognized lack of disclosure of subprojects (among other aspects of transparent and accountable EA indicated in IEG and CAO evaluations of IFC FI operations. FI operations represent a small share of Bank lending, but are not considered to meet the minimum EA requirements that A,B or C categorization would imply, and are thus considered as not adequately ;
- The five approved (5) **Program For Results** operations are not considered to be covered by OP 4.01, but rather by OP 9.0 despite the unexplained use of environmental categorization as B or C;
- 458 Projects with a **U category (Uncategorized)** are not covered by OP 4.01²;
- **4,472 Projects without Environment Category data** (*most pre-dating 1991*) are defined as not covered by OP 4.01.

Total World Bank Lending Amount: This variable is defined by the amount of the project's IBRD, IDA or grant finance, noting that the Bank financed share of any project often differs from the total project cost.³ Missing values for a small number of grant or trust fund operations were estimated by using the total project cost, which is unlikely to be significantly different than the Bank financed share of the project. Across all Bank instruments, the average World Bank project size is \$62 million. Comparing different Bank instruments, DPLs, Guarantees and P4R operations are approximately three times as large as the average investment loan (\$51 million).⁴ Average project size has increased over time.

How much of Bank Lending is Category A?: Between 6-11% of all approved Bank projects are Category A in terms of the number of projects. In terms of lending volume, Category A projects are about 20% of all Bank lending, but have reached a maximum of 42% in 2008.⁵

² The use of Category U (Uncategorized?) projects began in 1986 through the present, totaling 458 projects and included mostly structural adjustment loans, but have recently included about 33 recipient executed investment loans, guarantees and trust fund operations.

³ The total project cost refers to the total amount leveraged in part by World Bank loans or grants. The average total project cost is almost double the Bank commitment for all operations.

⁴ Category A, DPLs and U projects are considerable larger than Category B, C and other projects.

⁵ IEG (2010) has indicated that miscategorization is problem for a small percentage of investment operations. We would add that miscategorization is higher for DPLs, in part due to the lack of a transparent and accountable categorization system. Corrections of misclassification and non-classification of environmental or social risk for Category B projects, DPLs and other approved projects would likely increase this estimate of actual Category A project volume.

Other Data Issues:

1. **Missing Values:** Most of the 4,472 projects for which there is no environmental categorization are prior to 1989, the year in which the Bank began to systematically provide a categorization value under Operational Directive 4.00, which was revised in 1991 (OD 4.01) and then again in 1998 (OP 4.01). Similarly, for 174 projects in which no lending amount is provided, 68 of these are projects approved between 1965-1989. Of the rest, most are trust fund, carbon offset projects for which no Bank financial commitment is identified. Most of these are under \$US 50 million and only 7 (mostly guarantees) have total project costs above \$100 million. These operations may be correctly coded as having no project financial commitment, but even if these projects have missing values, the overall effect on the cumulative totals for Bank lending by calendar year will be negligible.
2. **Questionable Values:** As noted above, the analysis does not fully assess the validity of any value provided by the results project database search. Beyond the clarifications above regarding Category FI, U and DPL operations, there are several project types for which the value for Environmental Categorization may be questioned. Closer scrutiny of the following types of Bank financed projects/operations would likely reduce the number of total projects and volume of Bank lending adequately or not in actuality covered by OP 4.01. Some of these examples are noted.
 - Evidence of systemic undercategorization of some Investment Loans categorized as B environmental risk is noted in various IEG reports.
 - Guarantees and Public Private Partnerships (PPPs): May not meet OP 4.01 ESA disclosure requirements
 - SECALs were categorized between 1989 and 2006, but are mostly categorized as Bs and Cs. There is some question whether environmental and social risks were adequately categorized and assessed, based on knowledge of DPLs.⁶
 - Many of the Investment Loans categorized as C prior to 1989 deserve closer assessment to understand what this categorization actually meant.
 - Emergency and Special Finance operations categorized as C or B may be undercategorized.
 - Carbon offsets, among other Trust Fund and Special Instrument projects are often uncategorized or assigned a C categorization. Current debates regarding the risks associated with emissions reductions transactions in some sectors (energy and forests) suggest that these values may not fully reflect social and environmental risks.
 - Program for Results operations categorized as B or C may not meet OP 4.01 requirements of EA disclosure and quality.

Summary: This analysis of Bank's own project data is a conservative estimate of OP 4.01 coverage. The trends in declining acceptable coverage of OP 4.01 across the increasingly diversified portfolio of lending instruments is observable and alarming. If further information were available on additional requirements of the Pelosi Amendment regarding EIA quality, timely disclosure and consultation, we might find a much larger share of Bank lending is not adequately or wholly covered by OP 4.01.

⁶ See Global Witness and Bank Information Center, DPL Primer (April 2013).

