

**REVIEW AND UPDATE
OF
THE WORLD BANK'S SAFEGUARD POLICIES**

**ENVIRONMENTAL AND SOCIAL FRAMEWORK
(PROPOSED THIRD DRAFT)**

Strengthening the effectiveness of our safeguard policies to enhance the development outcomes of Bank operations.

August 4, 2016

Abbreviations and Acronyms

BP	Bank Procedures
CODE	Committee on Development Effectiveness
CSO	Civil society organization
ECR	External and Corporate Relations Vice Presidency
EHSG	Environmental, Health and Safety Guidelines
GENDR	Environment and Natural Resources Global Practice
GSURR	Social, Urban, Rural, and Resilience Global Practice
ESCP	Environmental and Social Commitment Plan
ESS	Environmental and Social Standard
ESF	Environmental and Social Framework
ESP	Environmental and Social Policy
ESRM	Environmental and Social Risk Management
FI	Financial intermediary
FPIC	Free, prior and informed consent
GHG	Greenhouse gas
IEG	Independent Evaluation Group
IFC	International Finance Corporation
ILO	International Labor Organization
IPF	Investment project financing
LEG	Legal Department
MDB	Multilateral development bank
MIGA	Multilateral Investment Guarantee Agency
OD	Operational Directive
OMS	Operational Manual Statement
OP	Operational Policy
OPCS	Operations Policy and Country Services
OPN	Operational Policy Notes
PforR	Program-for-Results
SDGs	Sustainable Development Goals
SEP	Stakeholder Engagement Plan

UN	United Nations
UNOHCHR	Office of the United Nations High Commissioner for Human Rights
WBG	World Bank Group

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PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK**

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PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

EXECUTIVE SUMMARY

A. Overview and Background

1. **The World Bank Group's overarching goals are to end extreme poverty and promote shared prosperity in a sustainable manner in all partner countries.** The World Bank's environmental and social safeguard policies support these goals by promoting the sustainable use of resources and social inclusion. The third draft Environmental and Social Framework (ESF) presented in this paper is a modern, fit-for-purpose approach to safeguarding people and the environment in World Bank investment project financing (IPF). The ESF is presented with a recommendation for approval by the Board of Executive Directors, following endorsement by the Committee on Development Effectiveness (CODE).

2. **The World Bank's safeguard policies embody core values of the institution and have served the institution well for more than two decades.** The proposed ESF is designed to meet borrowers' new and varied needs in a world with new social and environmental challenges. The outcome of a multiyear process that included extensive global stakeholder engagement, the third draft ESF is an instrument that would help borrowers manage their environmental and social risks more effectively and more efficiently, cover more of those risks, and, therefore, make people and the environment affected by Bank-financed projects safer from any adverse impacts.

3. **The proposed ESF sets standards for sustainable development with the goal of *strengthening the effectiveness of the safeguard policies to enhance the development outcomes of Bank operations*.** The ESF preserves the core values and protections of the Bank's safeguard policies; enhances the scope of social issues covered; improves governance and efficiency through clearer roles and responsibilities, project boundaries, and requirements; and improves accountability and transparency through enhanced stakeholder engagement, clearer instructions on disclosure, and grievance mechanisms.

4. **The proposed ESF presents a more modern approach to environmental and social risk management that promotes better and more sustainable project outcomes.** It is informed by extensive internal and external consultations, in-depth analysis, and evaluations of the current safeguard system and the safeguards systems of other multilateral development banks (MDBs). While it attempts to reconcile the widely varying views of shareholders and stakeholders, the revised ESF proposed for Board approval has prioritized implementability and improved coverage of environmental and social issues in order to achieve more effective risk management outcomes. The ESF presents an opportunity for stakeholders to advance a common approach to promote sustainable development that responds to many different challenges, is applicable in varying contexts, and reflects the diversity of views in a multilateral development organization.

5. **The proposed ESF is better for development** as it boosts protections for the environment and the poorest and most vulnerable people, drives sustainable development through capacity- and institution-building and country ownership, and enhances efficiency for both the borrower and the Bank.

6. **The themes, issues, and requirements proposed in the ESF support the Sustainable Development Goals (SDGs) at the level of development** projects through the proposed requirements for non-discrimination, labor, biodiversity, resource efficiency, community health and safety, cultural heritage, and stakeholder engagement.

7. **Management seeks approval of the Board of Executive Directors of the proposed content of the draft Vision, Policy, and Standards.** If the Board approves this proposal, Management would proceed to finalize and issue the Environmental and Social Procedure and Bank Directive Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups to complete the new Environmental and Social Framework. The Framework would replace OP/BP 4.00, OP/BP 4.01, OP/BP 4.04, OP 4.09, OP/BP 4.10, OP/BP 4.11, OP/BP 4.12, OP/BP 4.36, and OP/BP 4.37. In finalizing the ESF, Management would also develop Guidance to support the implementation of the new Framework. Management will also assess the Bank's readiness to implement the proposed Framework and set a date for effectiveness. The use of the ESF would be mandatory for all new operations with Concept Notes on or after the date of effectiveness.

8. Management will disclose the draft ESF to the public for information upon submission of this paper to the Board of Executive Directors.

B. Proposed Environmental and Social Framework

9. **Ten Environmental and Social Standards (ESSs) are proposed for IPF, providing comprehensive coverage of the broad range of issues raised by shareholders, stakeholders, and World Bank staff during the review and update process.** These ESSs establish the borrower's responsibilities to provide adequate protection for people and the environment in projects supported by the World Bank under OP 10.00, *Investment Project Financing*. The ESSs are harmonized to a large extent with those of other MDBs, in particular IFC and MIGA.

- ***ESS1: Assessment and Management of Environmental and Social Risks and Impacts*** is the overarching standard that provides the procedural basis for an integrated environmental and social assessment of investment projects in a risk-driven, outcome-based, and proportionate manner. It establishes the need to characterize how disadvantaged and vulnerable groups may be affected by projects and how impacts may be addressed. It introduces the concept of ecosystem services and measures to manage risks and impacts related to them. It builds on the existing OP/BP 4.01, *Environmental Assessment*, and, together with ESS10, applies to all investment projects. It broadens the scope of assessment by adding explicit requirements covering social risks and impacts. It provides clearer project definitions for borrowers and introduces a clear and actionable risk management system.

- **ESS2: Labor and Working Conditions** is the World Bank's first proposal to introduce a set of operational policy requirements for labor and working conditions in investment projects. The standard prohibits child and forced labor and supports freedom of association and collective bargaining. Taking into account the nature of different types of projects, workers, and suppliers, it includes proportional requirements for community labor projects, the provision of a grievance mechanism for project workers, and requirements relating to occupational health and safety.
- **ESS3: Resource Efficiency and Pollution Prevention and Management** incorporates key provisions of OP/BP 4.09, *Pest Management*, and addresses the efficient management of energy, water, raw materials, and other resources. It also requires borrowers to characterize and estimate emissions of air pollutants, including project-related greenhouse gas emissions.
- **ESS4: Community Health and Safety** focuses on projects' risks to and impacts on communities. It incorporates key provisions of OP/BP 4.37, *Safety of Dams*, and addresses the design and safety aspects of infrastructure, equipment, services, traffic, and hazardous materials. It includes requirements for the deployment of security personnel.
- **ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement** maintains key provisions of OP/BP 4.12, *Involuntary Resettlement*, including the principles of compensation at replacement cost and assistance in restoring or improving livelihoods. It gives explicit recognition to the importance of exploring ways for affected people to share in the benefits of the project.
- **ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources** incorporates key provisions OP/BP 4.04, *Natural Habitats*, and OP/BP 4.36, *Forests*, requiring borrowers to assess and take measures to mitigate the impacts of the project on biodiversity, including loss of habitat, degradation, and the introduction of invasive alien species. It also establishes principles to govern the sustainable use of living natural resources, such as forests and fisheries.
- **ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities** maintains key provisions of OP/BP 4.10, *Indigenous Peoples*, while recognizing that some shareholders may use different terms to describe Indigenous Peoples. It requires Free, Prior, and Informed Consent in specified circumstances. For the purpose of ESS7, *consent* refers to the collective support of affected Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities.
- **ESS8: Cultural Heritage** reaffirms the objectives of OP/BP 4.11, *Physical Cultural Resources*, requiring projects to use chance finds procedures and other approaches to protect cultural heritage, and providing for consultation with affected communities. It broadens the definition and treatment of cultural heritage to include both tangible and, in specified circumstances, intangible cultural heritage.
- **ESS9: Financial Intermediaries** requires financial intermediaries (FIs) to put in place an environmental and social management system with associated procedures. ESS9 reflects existing FI requirements under OP 4.01 and OP 4.03, as well as IFC's approach to FI operations.

- ***ESS10: Stakeholder Engagement and Information Disclosure*** consolidates and improves provisions related to borrower engagement with stakeholders, including meaningful consultation, access to information, and grievance redress. It provides for ongoing dialogue between the borrower and stakeholders, including project-affected parties, throughout the life of a project, and lays out requirements for information disclosure and grievance redress.

C. Implementation

10. **Management's proposed approach to launching and implementing the ESF is intended to provide the Bank with capacity and systems to implement the proposed Environmental and Social Policy, Procedure, and Directive and to support borrowers in meeting the proposed ESSs for IPF.** Increased emphasis on capacity building would be necessary both for implementing the ESF and for improving the application of the Bank's safeguard policies. The approach to capacity building is informed by experience with implementing safeguards in the current system, by the experience of IFC in implementing the Performance Standards, the African Development Bank in launching their revised safeguards in 2014, and the ongoing plans for the launch of the World Bank's new Procurement Framework.

11. **The implementation approach includes a set of five concrete action areas with associated activities:** (1) managing change across the Bank with regard to how operations address and manage environmental and social risks; (2) strengthening capacity of the Bank and borrowers and providing sustained support to borrowers; (3) strengthening the Bank's Environmental and Social Risk Management System and increasing the efficiency and effectiveness of staff in operations; (4) strengthening strategic partnerships with development partners; and (5) preparing for the transition from the current safeguard policies to the proposed ESF.

12. **It is envisaged that the ESF would be rolled out in four distinct phases:** a preparation phase of at least 15 months, a launch phase of approximately 6 months, an embedding phase of approximately 2 years, and a new steady operational state thereafter. It is also envisaged that the safeguard policies would run in parallel to the ESF for approximately seven years after the launch of the ESF, until all projects approved under the safeguard policies had closed. The ESF would launch only after a set of readiness indicators has been achieved and Management deems the Bank sufficiently prepared to implement the new requirements.

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PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

I. INTRODUCTION

1. **This paper proposes, for approval by the Board of Executive Directors, and after endorsement from CODE, a modern approach to assessing and managing environmental and social risk in World Bank investment project financing (IPF).** The outcome of a multiyear process that included extensive global stakeholder engagement, the third draft ESF is an instrument that will help borrowers manage the environmental and social risks and impacts of Bank-financed projects more effectively and efficiently, as it provides more clarity and therefore more consistency in application, covers more of those risks, and provides people and the environment further protection from adverse impacts. It will also support both Bank and borrowers in realizing the Sustainable Development Goals (SDGs).

2. **The proposed ESF sets standards for sustainable development with the goal of strengthening the effectiveness of the safeguard policies to enhance the development outcomes of Bank operations.** The ESF:

- a) preserves the core values and protections of the Bank's safeguard policies;
- b) enhances the scope of environmental and social issues covered;
- c) improves governance and efficiency through clearer roles and responsibilities, clearer project boundaries, and clearer requirements; and
- d) improves accountability through enhanced stakeholder engagement and grievance mechanisms.

3. **The proposed ESF promotes development.** It supports the Bank's goals to end extreme poverty and promote shared prosperity in a sustainable manner in all partner countries, boosts protections for the environment and the poorest and most vulnerable people, drives sustainable development through capacity- and institution-building and country ownership, and enhances efficiency for both the borrower and the Bank. Better development outcomes would come from the wider coverage of social and environmental risks and impacts and an increased emphasis on sustainability and responsible use of resources. The ESF and the measures that will be put in place to implement it will, together, promote better development outcomes in Bank-financed projects (see Box 1).

Box 1. Promoting Better Development Outcomes in Investment Projects

The proposed framework would promote better outcomes in projects financed by the World Bank through a range of features.

Promoting sustainable development

- Considering a greater range of environmental and social risks and potential impacts, which would lead to better-designed projects and more sustainable outcomes.
- Promoting the sustainable management of living natural resources.
- Promoting the SDGs at project-level.

Increasing efficiency

- Streamlining environmental and social risk management processes through clearer project boundaries and clearer roles and responsibilities.

Building institutions

- Strengthening borrower capacity through increased emphasis on hands-on support to borrowers, leading to stronger institutions and, thereby, more sustainable approaches to development.
- Systematizing capacity building in the context of using borrower frameworks to manage environmental and social risks.

Strengthening partnerships

- Promoting a stronger joint approach to development through partnerships with borrowers on environmental and social risk management and the use of borrower frameworks.
- Simplifying donor coordination through a common approach to risk management.

Increasing access

- Benefiting more people—especially the disadvantaged or vulnerable, who are more likely to be adversely affected by project impacts and are more limited than others in their ability to take advantage of project benefits.
- Formalizing the role of stakeholders in public consultations and project monitoring and empowering people by providing them with a more active role, including input into project design.

Protecting livelihoods

- Supporting the sustained livelihoods of people who depend on natural resources.
- Providing protections for project workers, including vulnerable workers such as persons with disabilities, women, migrant workers, contracted workers, and community workers.
- Improving the living conditions of poor and vulnerable people who are physically displaced, through the provision of adequate housing, access to services, and security of land tenure.

Fostering resilience

- Requiring emergency preparedness to help project-affected communities be more resilient against future shocks.
- Protecting communities and the environment against climate change impacts by requiring assessments and mitigation measures.
- Protecting communities and drivers against traffic-related risks.

4. **The themes, issues, and requirements proposed in the ESF support all SDGs.** The ESF, among many other Bank initiatives will enable the World Bank to contribute to the fulfillment of the SDGs at the level of development projects. In particular, the proposed requirements for non-discrimination, labor, biodiversity, resource efficiency, community health and safety, cultural

heritage, and stakeholder engagement promote the specific targets identified for each of the SDGs (Annex 1 provides a detailed description of how the proposed ESF supports the SDGs.).

5. **Management seeks approval of the Board of Executive Directors of the proposed content of the draft Vision, Policy, and Standards.** If the Board approves this proposal, Management would proceed to finalize and issue the Environmental and Social Procedure and Bank Directive Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups to complete the new Environmental and Social Framework. In finalizing the ESF, Management would also develop Guidance to support the implementation of the new Framework.

6. Management will disclose the draft ESF to the public for information upon submission of this paper to the Board of Executive Directors.

A. Rationale for Reform and Mandate from CODE

7. **The World Bank Group’s overarching goals are to end extreme poverty and promote shared prosperity in a sustainable manner in all partner countries.**¹ To achieve these goals, it is critical to support the sustainable use of resources, promote social inclusion, and pursue development opportunities for current and future generations.

8. **The World Bank’s safeguard policies embody core values of the institution and form the cornerstone of the World Bank’s efforts to protect people and the environment and to support sustainable development.** The current suite of safeguard policies was designed over time in a somewhat ad hoc fashion to help the World Bank address environmental and social issues arising from projects. These safeguard policies have served the World Bank, its borrowers, and the development community well over the past decades and have provided an international standard for managing environmental and social project risks. To meet borrowers’ new and varied needs in a world with new social and environmental opportunities and challenges, the World Bank launched an extensive review and update of these policies to develop a new Environment and Social Framework for IPF (“ESF” or “the Framework,” see Attachment 1). The review is led by OPCS and carried out with LEG, GSURR, GENDR,² and ECR, and with advice from other relevant units across the World Bank Group, including IFC and Cross-Cutting Solutions Areas. This review has been closely followed by member countries, international organizations, other MDBs, civil society, and other stakeholders.

9. **In September 2012, CODE endorsed an approach paper³ outlining the objectives and scope of the review.** The approach paper identified the objective of the review as “*strengthening the effectiveness of the safeguard policies in order to enhance the development outcomes of Bank*

¹ See World Bank Group Strategy, p. 5

(https://openknowledge.worldbank.org/bitstream/handle/10986/16095/32824_ebook.pdf)

² Sustainable Development Vice Presidency before the Bank’s reorganization into Global Practices.

³ See “The World Bank’s Safeguard Policies: Proposed Review and Update. Approach Paper.” CODE2012-0041, <http://consultations.worldbank.org/Data/hub/files/consultation-template/review-and-update-world-bank-safeguard-policies/en/phases/safeguardsreviewapproachpaper.pdf>

operations.” This objective—which was based in part on the recommendations of an evaluation of the Bank’s safeguard policies by the Independent Evaluation Group (IEG)⁴—was to be achieved by building on the core principles of the safeguard policies to develop an integrated framework that responds to the changing contexts of borrowers and Bank operations and promotes environmentally and socially sustainable development with borrowers, development partners, cooperating institutions, practitioners, and citizens alike. The review was seen as an opportunity for the Bank to enhance how it (a) delivers environmental and social outcomes; (b) strengthens country systems and institutions; and (c) covers environmental and social risks. When endorsing the approach paper and acknowledging the growing role of the private sector, Executive Directors also tasked Management to explore the benefits of aligning the Bank’s approach to environmental and social sustainability with the IFC Sustainability Policy and the Performance Standards, to the extent appropriate for the public sector.

10. Through the review and update process, the Bank sought to achieve the following outcomes: renewing its partnership with borrowers; helping to address the environmental and social risks of the next decade; increasing its effectiveness, efficiency, and timeliness; and achieving policy harmonization, coherence, and alignment.

11. The review is limited to the Bank’s eight environmental and social safeguard policies—OP 4.01, *Environmental Assessment*; OP 4.04, *Natural Habitats*; OP 4.09, *Pest Management*; OP 4.10, *Indigenous Peoples*; OP 4.11, *Physical Cultural Resources*; OP 4.12, *Involuntary Resettlement*; OP 4.36, *Forests*; and OP 4.37, *Safety of Dams*—and OP 4.00, *Piloting the Use of Borrower Systems for Environmental and Social Safeguards*.

B. Structure of the Paper

12. Following this introduction, Section II describes the World Bank’s approach to reviewing and updating the safeguard policies, including the outcomes of three extensive consultation phases. Section III describes the major issues that emerged during consultations and that Management proposes to resolve as described in this paper. Section IV introduces the third draft Framework, briefly summarizes stakeholder feedback, and lists changes that have been made since the second draft. Section V describes how the ESF would be implemented if it is approved by the Board of Executive Directors. Section VI presents conclusions and asks for approval from the Board of Executive Directors. Annex 1 lists the proposed requirements that will directly support the SDGs, Annex 2 provides a brief history of the World Bank’s safeguard policies, Annex 3 lists the projects that were road-tested during the third consultation phase, and Annex 4 provides a comparison of key provisions among MDBs.

13. In addition to this paper, the Board package also includes the third draft ESF, including the Vision for Sustainable Development and Environmental and Social Policy and Standards (for Board approval), the proposed Environmental and Social Procedure (for information), the proposed Bank Directive Addressing Risks and Impacts on Disadvantaged or Vulnerable

⁴ “Safeguards and Sustainability in a Changing World: An Independent Evaluation of World Bank Group Experience,” <http://go.worldbank.org/ZA4YFV9OLO>.

Individuals or Groups (for information), a draft approach to assessing borrower frameworks (for information), responses to 52 issues Executive Directors asked Management to discuss during Phase 3 Consultations, and a Summary of Phase 3 Consultations and Bank Management Responses.

II. APPROACH TO REVIEW AND CONSULTATIONS

14. The multiyear process of reviewing and updating the Bank’s safeguards involved three review phases, with three extensive global multi-stakeholder consultations. Each review phase emphasized a different aspect—principles, Standards, and implementability.

A. Phase 1: Principles, Objectives, and Format of a New Generation of Safeguard Policies

15. From the outset, the Bank acknowledged that striking a balance among sometimes competing demands, needs, views, and aspirations would be among the main challenges of the reform effort. However, it also acknowledged that a successful review and update process would have the potential to yield multiple benefits for the Bank, its shareholders, and its internal and external stakeholders.

16. From October 2012 through April 2013, the Bank carried out global consultations on the approach paper, reaching more than 2,000 stakeholders from over 40 countries across all regions and receiving 81 position papers from 1,257 signatory organizations, Indigenous Peoples leaders, and project-affected communities. This consultation phase focused on 10 thematic areas: areas for improvement with regard to the Bank’s safeguard policies, implementation issues and challenges, core principles to promote sustainable development, and such emerging areas as disabilities; labor and occupational health and safety; human rights; land tenure and natural resources; Free, Prior, and Informed Consent of Indigenous Peoples; gender; and climate change. The main messages from stakeholders referred to the implementation and supervision challenges of the existing policies and their frequent inconsistency with national law; the need for stronger impact assessment; the need to recognize country context and borrower institutions; the need to build borrower capacity; the importance of protecting the rights—including the human rights—of affected communities, vulnerable and marginalized groups, and Indigenous Peoples; the need to improve provisions for land issues and involuntary resettlement, integrate provisions for forests and natural habitats, consider all emerging areas, and provide for stronger stakeholder engagement; and the need for policy harmonization, especially within the World Bank Group (WBG).

B. Phase 2: Proposed Standards

17. After concluding the first consultation phase, the Bank drew on the findings of the 2010 IEG evaluation and of internal analyses, and on the consultation input, to develop the first draft Environmental and Social Framework (ESF). The draft aimed to reconcile

competing views expressed by shareholders and stakeholders during consultations. The objective of the first draft ESF was to maximize development opportunities for all, particularly the poor and vulnerable, and to promote the well-being of all natural and living resources. The resulting Framework was intended to:

- a) Absorb existing requirements, but also reinforce responsibility through broader and more explicit requirements;
- b) Increase accountability, enhance decision making, and provide a tailored approach that takes into account the country and sector context;
- c) As appropriate, place less emphasis on front-loading during project preparation and more emphasis on better monitoring and supervision for the realization of agreed project commitments;
- d) Promote a project-based approach to using borrower frameworks, focusing on outcomes, rather than on borrower country systems; and
- e) Help countries implement the Environmental and Social Standards (ESSs).

18. **When the first draft ESF was presented to CODE on July 30, 2014,⁵ Executive Directors agreed that Management should conduct a second round of consultations to seek input on the proposals and, in particular, on key changes that would strengthen their effectiveness.** Consultations held from July 31, 2014, through March 1, 2015, included around 2,000 participants from 65 countries in all Regions, including 54 borrower countries. Management received nearly 2,500 pages of feedback from stakeholders, including more than 130 position papers from governments, Indigenous Peoples leaders, and project-affected communities. Working groups of WBG staff carefully reviewed and analyzed the extensive feedback.

19. **Overall, shareholders and stakeholders agreed on the need to update the World Bank's safeguard policies and considered the proposed Framework architecture to be appropriate.** However, views on the proposed standards and complex cross-cutting development issues varied widely. Human rights, non-discrimination, adaptive risk management, labor and working conditions, greenhouse gas (GHG) emissions and climate change, land acquisition and involuntary resettlement, Indigenous Peoples, and use of borrower frameworks emerged as the most discussed and most complex issues.

C. Phase 3: Implementability and Unresolved Issues

20. **On June 30, 2015, Management presented to CODE a second draft ESF,⁶ informed by the second phase consultations, which introduced a number of major changes to the first draft Standards.** This draft aimed to bridge the gap between the competing views of shareholders

⁵ "Review and update of the World Bank's safeguard policies: Proposed Environmental and Social Framework (first draft)." CODE2014-0031

⁶ "Review and update of the World Bank's safeguard policies: Proposed Environmental and Social Framework (second draft)." CODE 23015-0039

and stakeholders on several standards and the cross-cutting development issues listed above. Executive Directors requested a third round of consultations, focusing on the implementability of the proposed Framework and on an indicative list of outstanding issues that needed further discussion.

21. **In response to Executive Directors’ request to focus the consultation on implementability from a borrower perspective, consultations were designed to focus on government officials and project implementation units in borrowing countries.** The consultations, held from August 4, 2015, through March 15, 2016, included 72 meetings in 31 countries (including 28 borrower countries), with close to 3,000 stakeholders from 93 countries. More than 300 Bank staff were involved in preparing and hosting consultation meetings. The Bank also hosted six expert focus groups—on non-discrimination, Indigenous Peoples, labor and working conditions, impact assessment, financial intermediaries, and religious concerns and considerations—and met with representatives from the International Labour Organization (ILO) and the United Nations Office of the High Commissioner for Human Rights (UNOHCHR).

III. CROSS-CUTTING DEVELOPMENT ISSUES

22. **In mandating the third round of consultations on the draft ESF at the CODE meeting on July 1, 2015, the Executive Directors also provided an indicative list of 52 issues for Management to include in consultation meetings.** (A report on Management’s responses to these issues is included in this Board package. Summaries from all consultation meetings are published on the consultation website.⁷) Some of the issues included were items that needed clarification and that were explained in more detail to shareholders during consultation meetings; others pertained to provisions of the current safeguard policies that were carried forward into the draft ESF. Still other issues were cross-cutting development issues on which shareholders and stakeholders have varying views that need to be balanced, but that cannot be fully reconciled. This section discusses these cross-cutting issues.

23. **Borrowing governments discussed land acquisition and involuntary resettlement most frequently, specifically focusing on discrepancies between national laws and Bank requirements.** Particular concern was expressed about the proposed requirements regarding informal occupants: while the Bank proposes specific protections for them, many borrowing governments argued that their laws would not permit this treatment. Other issues frequently discussed included proposed requirements on labor and working conditions, Indigenous Peoples, climate change and GHG emissions, and environmental and social risk assessment and management.

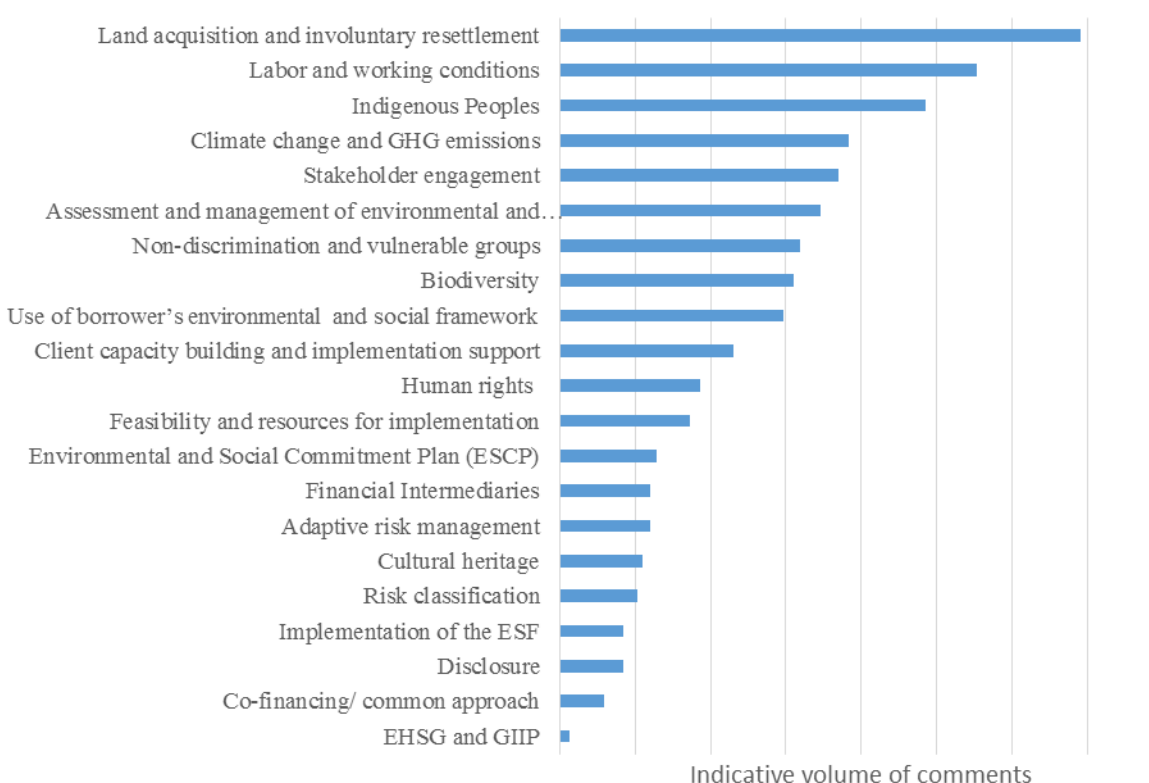
24. **Land acquisition and involuntary resettlement was also the most frequently discussed issue during multi-stakeholder meetings in borrowing countries, here with a focus on the impacts of resettlement on vulnerable groups.** Civil society representatives and academics

⁷ <http://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>

participated in these meetings, and government representatives and development partners were also present in some. Consultation participants in this group also frequently discussed Indigenous Peoples, labor and working conditions, stakeholder engagement, and non-discrimination and vulnerable groups.

25. **Consultation meetings in Part I countries usually included government and civil society representatives and academics.** They frequently discussed biodiversity, in particular offsets and no-go areas for certain Bank projects. Other frequently discussed issues included land acquisition and involuntary resettlement, labor and working conditions, stakeholder engagement, and climate change and GHG emissions. Figure 1 gives an aggregated impression of which topics received most attention by all consultation meeting participants.

Figure 1. Emphasis on specific issues during consultation meetings



Note: Bar size is based on the number of comments recorded for each issue during consultation meetings. The volume of comments represents the emphasis of discussions. Because different note-takers may have recorded comments differently, this chart can be seen only as indicative of the emphasis of discussions during consultation meetings.

A. Implementability

26. **Borrowers' financial and technical ability to implement the proposed ESF is a core factor that will determine its success.** This is why the Executive Directors asked that the third consultation phase focus on issues of implementability and analyze the incremental effort that

might be needed to fulfill the proposed requirements, as compared to the requirements of the safeguard policies. This focus increased Management's understanding of the practical challenges of project implementation and helped it produce a third draft ESF that is more implementable and reduces processing times through greater clarity, while at the same time upholding effective protections for people and the environment affected by Bank-financed projects.

27. Implementation challenges in IPF are often caused by low capacity in implementing agencies and a lack of experience among the environmental and social risk management consultants. The ESF will help address this implementation challenge, in part, through recognizing the importance of enhanced Bank technical assistance to borrowers that need support when they carry out their assessments and prepare instruments, and through the ESF's proposed increased focus on building capacity in borrower countries, borrower agencies and institutions, and consultants.

28. The effort required for projects under the safeguards regime varies widely, depending on the nature of the project and the capacity in the country. Depending on project characteristics, processing the current safeguards requirements during project preparation for an environmental assessment (EA) Category A project ranges from 14 to 24 weeks of staff time (even more for the large transformational projects), and supervision from 10 to 25 weeks. For a Category B project, preparation can take between 6 and 11 weeks, and supervision between 5 and 8 weeks per year. Given this wide range of effort under the current policies, any estimates of additional effort for the proposed ESF can only be indicative. However, Management posits that some of the variation in preparation time will be remedied through more consistent application of provisions in the proposed ESF.

29. To better understand the incremental effort likely to be required of the Bank and borrowers, Bank staff discussed 42 case studies with borrowers during consultations.⁸ The objective of this road-testing was to compare the effort needed to implement the requirements of the second draft ESF with the effort needed to implement the safeguard policies appropriately. The results, generally consistent across case studies, indicate that the overall additional effort the ESF would entail is, for the average project, not overly burdensome, and that there are opportunities to achieve operational efficiencies by both the Bank and borrowers. Overall effort would be higher for implementing ESS1, ESS2, and ESS10, but would generally not be higher (and could be lower due to efficiencies) for implementing ESS5, ESS6, ESS7, ESS8, and ESS9. Incremental effort to implement ESS3 and ESS4 is expected to be moderate. The road-testing highlights the fact that current practice already accounts for many of the proposed requirements: for example, projects with good environmental and social planning already factor in inclusion, stakeholder engagement, or labor risk in civil works. The extensive road-testing and consultations with Borrowers suggests that the incremental effort would be low for low risk projects and would be highest for the most

⁸ See Annex 3 for a list of the case studies; case studies are also published on a dedicated consultation website at <http://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>. It is important to note that these cases are a small sample of the Bank's lending portfolio and include mostly Category B projects. The results for this road-testing can therefore only give estimated of incremental effort, but not definitive findings. Moreover, the extent to which existing requirements were complied with and the quality of the environmental and social assessments varies widely across projects, causing further variability in the incremental effort required for current and future practice.

complex projects where the social and environmental aspects are most challenging. Thus, the proposed ESF, first and foremost, aims to standardize environmental and social risk management and make it more consistent across projects to achieve a common level of high quality in implementation.

30. Incremental costs associated with the implementation of the proposed ESF will vary widely in accordance with the nature of the individual project and the project and country context. The World Bank currently lends to 98 countries, each of which has developed systems and approaches for managing environmental and social issues that are particular to their operating context. Borrowers have differing levels of expertise and implementation capacity and will therefore incur different costs depending on the nature of the project and the sensitivity of the environment and social context. Borrower concerns with the potential incremental costs associated with the proposed ESF were an important consideration during Phase 3 consultations which focused on implementability from technical and operational perspectives. Many of the adjustments proposed in ESF 3 are meant to reduce the burden on Borrowers, including by shifting more of the burden onto the Bank whenever feasible and a greater commitment by the Bank to Borrower capacity building.

31. Incremental costs need to be considered in the context of the additional benefits that would accrue through better, more timely and more sustainable development outcomes. Unfortunately it is not possible to quantify the benefits associated with a strengthened framework and more effective implementation to allow for a traditional cost-benefit analysis so this can only be done qualitatively. Once a borrower has developed approaches to managing the requirements newly introduced by the ESF, these approaches would inform risk assessment and management in other projects, whether or not financed by the Bank. Initial investments would translate into medium- and long-term operational efficiencies, especially where borrowers invest in building frameworks that are likely to be able to address the risks and impacts of the project and enable the project to achieve outcomes that are materially consistent with the objectives of the ESSs. Similarly for the Bank, the initial costs of investing in new and increased expertise in specific areas will be offset by the long-term gain of improving the Bank's capacity to address a wide range of environmental and social issues.

32. The additional Bank effort needed to implement the proposed ESF is determined by the requirements of the Policy, Procedures, and Directive (see Section IV). The overall incremental effort is expected to be low for projects that are of Low or Moderate risk and higher for projects of Substantial and High risk, for which a broader set of issues will typically be considered as part of the Bank's environmental and social due diligence. As is suggested by IFC's experience,⁹ it is expected that operational efficiencies will be achieved over time as experience is gained with the new framework.

33. The ESF's proposed risk-based approach to managing environmental and social risks and impacts means that the degree of attention to an issue is proportional to risk. For instance, assessments and mitigation measures would be tailored to the depth needed to understand and manage the potential risks of the particular project. The risk-focused approach may increase initial

⁹ IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the first three years of application. IFC, July 29, 2009.

costs in one area, but these costs may be offset by improved project performance and decreased costs in other areas. Moreover, the Bank is now working on establishing baseline estimates of the costs to fulfill the current Bank safeguard requirements and therefore cannot indicate specific changes in cost. IFC reached the same conclusion when implementing its Performance Standards. However, in a client evaluation three years after the launch of the Performance Standards, IFC found that implementation costs were broadly acceptable to clients.¹⁰

34. Insight from the road-testing on implementation challenges was used to develop the third draft ESF. Where the road-testing showed lack of clarity in the proposed requirements, the draft was revised to be clearer. Where the second draft ESF introduced requirements that were considered not feasible in the review of the case studies, Management made adjustments. These are reflected in the changes listed for each Standard in Section IV.

35. Overall, Management concludes that the proposed ESF should require an acceptable overall increase in effort at steady state, which may be offset partially by efficiency gains in using the ESF, particularly through the fine-tuning of the procedures and increased Borrower capacity. Management posits that the proposed approach to assessing and managing environmental and social risk can lead to the following:

- a) resource savings due to increased long-term improved project outcomes (savings can be significant where issues are identified and managed early in the process);
- b) resource savings through sustainable improvements in the capacity of specialists and borrowers; and
- c) better project implementation and less last-minute reaction to crises, and therefore more sustainable development outcomes, through consistent requirements across all projects.

36. Notwithstanding the above, and as outlined in a subsequent section on implementation, the proposed ESF would require significant preparation work by the Bank, a surge in effort over 3 years to develop and support the launch of substantial procedural preparation, change management, enhanced guidance, capacity building, system development as well as support and outreach. Surge costs would be incurred in FY17-19, peaking in FY18.

37. The increased scope of assessment does not necessarily change the overall timeline for project preparation as most issues can be identified and managed simultaneously (i.e., social assessment, labor assessment, assessment of critical habitats, and so on, would be conducted at the same time). Management recognizes that the mandate to address issues such as non-discrimination may, in the short term, require the preparation of more documents. In the long term, however, it is clear that this will lead to better development outcomes, as more people gain access to more equitable development benefits.

38. While for some projects, the need for seasonal data may shift timelines, it is expected that the processing time needed to address safeguards requirements before Board approval can be reduced through the use of the Environmental and Social Commitment Plan (ESCP),

¹⁰ Ibid.

depending on the project context.¹¹ The Bank's experience with delays in project preparation suggests that there is a wide variety of issues that can impact project preparation timeline and that there is no evidence to suggest that safeguards-related issues are the most prevalent. Good project preparation planning will reduce the risk of delays, including those associated with the preparation of safeguards instruments.

B. Borrower Capacity Building

39. **In all three consultation phases, participants consistently emphasized the need to strengthen borrowers' capacity to identify and manage environmental and social risks, regardless of the launch of the proposed ESF.** This priority became a core focus of discussions during the third consultation phase. Borrowers, donors, shareholders, and stakeholders identified capacity building for borrowers as a central element in the Bank's effort to modernize its approach to environmental and social risk management. The extension of the scope of risk assessment and management and its proposed shift to an outcome-based, adaptive risk management approach will need to be accompanied by increased efforts to strengthen institutions in borrowing countries.

40. **Management recognizes the crucial importance of strong institutions and expertise in borrowing countries,** especially in the agencies that implement Bank-funded projects and among the professions that assess environmental and social risk. Limited capacity among borrower agencies and consultants is a key concern for the Bank. Bank staff invest considerable time and effort in helping borrowers' implementing agencies and consultants produce environmental and social risk management instruments that are fit for purpose. The ESF is designed to strengthen the partnerships between the Bank and its borrowers with the specific aim of building capacity in borrowing countries and in other relevant groups.

41. **Activities to strengthen borrowers' capacity will be identified on the basis of evident capacity gaps, the track record of existing programs, current and projected lending volumes, and the need for additional resources.** This work would be funded from a variety of sources—borrowing, reimbursable advisory services, donor funding, the Bank's budget, and, in some cases, the country's own resources. In addition, Management will seek to establish a multidonor trust fund for borrowers with low capacity, such as fragile and post-conflict countries.

42. **The approach to capacity building would be based on a needs assessment conducted in collaboration with the borrower** (see Section V of this paper). Capacity-building measures would include short-term awareness-raising and training on particular aspects of the ESF, especially with regard to the ESSs that borrowers are required to implement. This training would be delivered in selected countries over a period of 6 months after Board approval of the proposed ESF. Beyond this short-term effort, the Bank would engage in long-term, systematic institution building. This effort would be based on dialogue with governments, linked to the Borrower Framework Assessment process.

¹¹ The total elapsed time for dealing with safeguards requirements is less than 50% of the average time of preparing a project from identification to Board approval.

43. **In addition to systematic support to borrowers, the Bank would provide capacity building for stakeholder groups involved in project delivery.** This program would comprise information sessions and training for stakeholders who wish to better understand the proposed ESF and its implications either for themselves or for their clients. It would include the following elements:

- a) a program focused on raising awareness and informing strategic partners (UN agencies, MDBs, bilateral partners) about the ESF and its implementation;
- b) a program for Indigenous Peoples, following up on commitments made during the consultations, comprising information and training sessions;
- c) a program for consultants, academics, and civil society organizations (CSOs) that are directly involved in supporting borrowers in implementing the proposed ESF, either as advisors or hired contractors, or in conducting monitoring and stakeholder outreach.

C. Borrower Frameworks

44. **The World Bank and most of its shareholders endorsed the Paris Declaration, Accra Agenda for Action, and Busan Partnership for Effective Development Cooperation—agreements emphasizing that using and strengthening national systems in borrowing countries is a central development goal.** In the 2011 declaration of the Fourth High Level Forum on Aid Effectiveness in Busan, signatories committed to “Use country systems as the default approach for development cooperation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development cooperation and the developing country” and to “Assess jointly country systems using mutually agreed diagnostic tools. Based on the results of these assessments, providers of development cooperation will decide on the extent to which they can use country systems. Where the full use of country systems is not possible, the provider of development cooperation will state the reasons for non-use, and will discuss with government what would be required to move towards full use, including any necessary assistance or changes for the strengthening of systems. The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes.”¹²

45. **In the spirit of this declaration, the proposed ESF aims to increase the use of borrower frameworks in Bank-financed projects in which their use leads to environmental and social outcomes that are materially consistent with the objectives of the proposed Standards.** The Bank and borrower would agree on the use of part or all of a borrower’s framework on a project-by-project basis, using a methodology for assessing borrower frameworks and identifying gaps in them and measures to close the gaps. An approach to assessing borrower frameworks is set out in an Information Note on Assessing the Borrower’s Environmental and Social Framework (included in the Board package). This approach will be tested and calibrated through experience and adjusted as necessary. Initially, to use available resources to carry out assessments economically, the Bank

¹² See Busan Partnership for Effective Development Cooperation, Fourth High Level Forum on Aid Effectiveness, paragraph 19 (<http://www.oecd.org/dac/effectiveness/49650173.pdf>).

will target countries with demonstrated high capacity for assessment. Management will report on the progress of the implementation of the ESF annually and will include information on the assessment of borrower frameworks in these reports.

46. **At the request of the Borrower and where the Bank deems this to be feasible, the Bank may conduct an overview assessment of the Borrower’s existing policy, legal and institutional framework** for addressing environmental and social risks and impacts. This assessment would identify aspects of the existing framework where capacity building activities can contribute to strengthening the framework. It would inform, but not be a prerequisite for the Bank’s assessment of borrower frameworks for specific projects.

47. **Consultation participants frequently discussed the proposed use of Borrower frameworks.** Borrowers, especially those with strong national institutions, asked the Bank to lower the threshold for using borrower frameworks. Donor governments and CSOs expressed caution with regard to the Bank’s due diligence and monitoring role when borrower frameworks are used.

48. **The Bank recognizes that borrowers always use their frameworks for the approval and regulation of economic activities.** For the purposes of the ESF, three decisions would need to be made: (a) Should the use of the borrower’s framework be considered? (b) Would the use of all or part of the borrower’s framework result in outcomes that are materially consistent with the objectives of the ESSs? The Bank would make this assessment in consultation with the borrower. (c) Which gap-filling measures does the borrower need to implement to ensure that the use of its framework would result in outcomes that are materially consistent with the objectives of the ESSs? The gap-filling measures would be agreed between the Bank and the borrower and documented in the ESCP. The Bank will be required to exercise its fiduciary responsibility by reviewing environmental and social assessments and mitigation measures the borrower conducts using its own frameworks and will ensure that the residual risks and impacts of the project are acceptable to the Bank. Management will discuss this approach with experts in a dedicated workshop, test the approach and methodology with borrowers that have well-developed frameworks, and use this experience to finalize the approach laid out in Guidance. With this approach, using part or all of a borrower’s framework for specific projects is a means to build borrower institutions in a sustainable manner.

D. Human Rights

49. **Many of the investment projects the World Bank supports advance the realization of human rights expressed in the Universal Declaration of Human Rights, including through better health care, education, and social protection, and better access to such services.** Key values underlying human rights—such as respect for individual dignity, transparency, accountability, consultation, participation, and non-discrimination—also underlie the World Bank’s operational policies and practices. The World Bank intends to maintain the promotion of such values in its development initiatives and its interactions with borrowers. Within one year of the launch of the proposed ESF, Management will conduct a study of the extent to which the application of the ESF contributes to the achievement of these key values and of the SGDs.

50. **The treatment of human rights in the proposed ESF was widely discussed throughout all three consultation phases.** In the third consultation phase, human rights issues were raised mostly by donor governments and CSOs that supported expressly incorporating human rights in the ESF. Some borrowers challenged the proposal to expressly embed human rights in the ESF, noting conflicts with the World Bank’s mandate as set out in its Articles of Agreement and arguing that the ESF should not be used as vehicle to promote specific values or political aspirations. The Bank discussed human rights in particular in an expert focus group as part of the first consultation phase and in several meetings with UNOHCHR.

51. **Given the divergent views on human rights coverage in the ESF among shareholders and stakeholders, Management suggests that the current approach be maintained, with explicit reference to human rights in the Vision statement.** The proposed language articulates that the World Bank’s activities support the realization of human rights expressed in the Universal Declaration of Human Rights. Through the projects it finances, and in a manner consistent with its Articles of Agreement¹³, the World Bank will continue to support its member countries as they strive to progressively achieve their human rights commitments.

E. Indigenous Peoples

52. **The first draft ESF expressly referred to obtaining the “Free, Prior, and Informed Consent” (FPIC) of Indigenous Peoples in several specific project-related circumstances.** While many stakeholders welcomed this introduction, a number of borrowers expressed concerns about the implementability of the concept and the potential of interrupting, delaying, or preventing projects when FPIC cannot be obtained. They also noted potential discrepancies between FPIC and national law.

53. **Throughout the review process, the Bank consulted extensively with Indigenous Peoples.** This engagement included 16 dedicated dialogue meetings between March 2013 and March 2016, high-level fora in April 2015 and February 2016, engagements at the sidelines of the United Nations Permanent Forum on Indigenous Issues, and discussions as part of multi-stakeholder consultations in consultation countries. Indigenous Peoples groups widely welcomed the introduction of FPIC. In response to Indigenous Peoples’ interest in FPIC and the concerns of some shareholders regarding the potential inconsistency between FPIC and national law, the definition of FPIC was revised. It is now clarified that, for the purpose of ESS7, *consent* refers to the collective support of affected Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities for the project activities that affect them, reached through a culturally appropriate process. It may exist even if some individuals or groups object to such project activities.

54. **A number of shareholders were concerned about the use of the term *Indigenous Peoples* and the terminology used in the proposed Indigenous Peoples Standard.** They argued that the use of the term posed potential conflicts with the effort set out in their constitutions to promote ethnic unity and build one national identity without identifying specific ethnic or

¹³ Especially Article III, Section 5 (b) and IV, Section 10.

indigenous groups. The Bank acknowledges the concerns about the concept of indigeneity in some African countries. The revised ESS7 therefore includes a new paragraph that highlights circumstances in which, because of national, historical, or cultural considerations, the application of the ESS will take account of the importance of fostering social cohesion and avoid actions that may undermine harmony between different groups. Following a discussion with representatives of some African countries and Indigenous Peoples representatives in Addis Ababa in February 2016, the title of the third draft ESS7 was changed to “Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities.” This change in the title reflects and builds on the flexibility in terminology that is already afforded by OP 4.10, *Indigenous Peoples*. (Section IV lists the substantive changes in the third draft ESS7.)

F. Non-Discrimination

55. **Non-discrimination is a core principle of the proposed ESF.** ESS1 contains a provision requiring the borrower to assess and mitigate any risk of adverse project impacts through inadvertent or deliberate discrimination. The second draft ESF listed examples of vulnerable and disadvantaged groups that would have to be given special considerations when assessing the potential risk and impacts of Bank-financed projects. Throughout the review, the Bank engaged intensely with representatives of marginalized groups, in particular with groups representing persons with disabilities; members of the sexual orientation, gender identity and expression community; groups representing children’s interests; and religious groups.

56. **While shareholders universally accepted the principle of non-discrimination, many borrowing countries expressed concern about the explicit mention of examples of vulnerable groups.** For this reason, Management proposes to include in the ESF an affirmative reference to the principles of non-discrimination and inclusion. Management would list examples of vulnerable groups in a staff Directive that would be mandatory for Bank staff and subject to the Inspection Panel’s consideration if requests for inspection are filed with the Panel. Staff Guidance would also be provided on how to identify and address vulnerability and marginalization during social appraisal and throughout the project cycle.

G. Climate Change and GHG Emission Estimation

57. **Climate change is among the most pressing development issues of this generation.** The World Bank recognizes the fundamental importance of this issue and has developed an institution-wide strategy to address it. The proposed ESF includes a range of climate change considerations, including GHG emission estimation in the proposed ESS3: Resource Efficiency and Pollution Prevention and Management, and climate change adaptation in ESS4: Community Health and Safety.

58. **The proposed ESS3 acknowledges the need to be mindful of the world’s diminishing resources and encourages improvements in resource efficiency.** In the second draft ESS3, the Bank proposed that borrowers estimate GHG emissions for projects that are expected to produce GHG emissions in excess of a threshold established by the Bank in Guidance. Some shareholders

criticized the lack of a numeric threshold in the Standard. Borrowers discussed the cost associated with estimating GHGs.

59. **Estimation of project GHGs is part of good international industry practice.** For borrowers it is the first step to considering alternatives and implementing technically and financially feasible and cost-effective options to avoid or reduce project-related GHG emissions during design and operation. GHG estimation will aid borrowers in identifying any cost-effective and technically feasible ways of improving resource efficiency, particularly the use of energy. Provided it is consistent with other Bank requirements, the estimated project-based GHG emissions will not be used as the sole criterion for deciding whether to proceed with project financing.

60. **In response to concerns about cost and technical constraints, the Bank clarified that borrowers are required to estimate gross GHG emissions as part of the characterization of the air emissions of contaminants, but not to quantify net emissions.** GHG emission estimations can be carried out using established methodologies, including national methodologies that have been developed in the context of international agreements, and tools at little or no cost. The Bank, as part of its ongoing commitment under IDA 17 and in accordance with its institutional mandate for GHG emissions accounting established in the WBG's Environment Strategy (2012) and Climate Change Action Plan (2016), will conduct GHG accounting of emissions for projects it finances, building on the emissions estimation data provided by the borrower. Under corporate mandate, GHG accounting is required for IPF operations in the following sectors for which the Bank has developed or adopted methodologies: energy, forestry, agriculture, transport, water, and urban. This also applies to sectors in which the Bank develops or adopts methodologies in the future as part of the WBG GHG accounting corporate mandate. GHG emission estimation will not be required for sectors or projects with diverse and small sources of emissions (for example, community-driven development projects) or with emissions that are not likely to be significant (for example, social protection projects).

61. **Management recommends that no emission threshold should be set in order to maintain the ability to apply the GHG emission estimation requirement where appropriate.** Details on sector-specific methodologies to estimate GHG emissions will be provided in Guidance. For sectors for which the Bank has not yet developed GHG accounting methodologies, the Bank will adopt a differentiated approach based on project risk classification.

62. **IDA18 will be a critical vehicle to finance and implement the WBG's Climate Change Action Plan and will help to scale up efforts on climate-smart cities, climate-smart land use, and energy efficiency and access.** It will help to mobilize resources and catalyze partnerships for addressing climate change issues. IDA18 will continue to deepen the mainstreaming of climate and disaster resilience into development, help to better engage the private sector, and promote benefits from low-emissions development pathways.

H. Labor and Working Conditions

63. **Labor and working conditions are addressed in the proposed ESS2, which for the first time introduces a specific operational policy to address labor issues in Bank-financed projects.** ESS2 is derived from provisions of other MDBs and reflects the public sector nature of the World Bank's portfolio and its relationship to borrower governments. The standard builds on borrowing countries' commitments on international labor laws and conventions and focuses on requirements related to non-discrimination, child labor, forced labor, freedom of association, and the right to collective bargaining. The second draft Standard includes requirements for borrowers to ensure the compliance of various third-party employers and covers a wide range of workers.

64. **Labor was among the major issues discussed in all three consultation phases.** It was addressed in country consultation meetings and in focused meetings with ILO and international labor unions. The Bank hosted dedicated expert focus groups on labor issues in March 2013, January 2015, and September 2015.

65. **Many borrowing countries highlighted the difficulties of addressing labor issues associated with brokers, agents, and other intermediaries.** They also expressed concern about the consistency of the requirements with national laws. Some donors and ILO would like to see a reference to ILO's Declaration on Fundamental Principles and Rights at Work and the core labor principles laid out in it.

66. **Management maintains, as it did in the previous two review phases, that, to ensure that the ESF is a stand-alone document and not linked to changes in international agreements, the text of the ESF should not reference international agreements and instruments.** All core labor standards¹⁴ are reflected in the proposed labor provisions. To respond to borrowers' concerns about implementability, the third draft Standard clarifies that the objective of supporting the principles of freedom of association and collective bargaining of workers would be required *in a manner consistent with national law*. This revised Standard also limits borrowers' responsibility vis-à-vis certain primary suppliers and clarifies that it is the borrower's responsibility to require the primary suppliers to take appropriate measures to comply with ESS2. Requirements for community labor have been tailored to be more appropriate to the nature of community labor. The requirements of ESS2 continue to be conditioned by proportionality based on project risks and impacts. (Section IV lists the changes made to the proposed ESS2.)

67. **There may be inconsistencies between the principles of non-discrimination and equal opportunity and national law.** In such cases there should be a 'best efforts' endeavor to carry out the project in accordance with these principles through the design of the project to the extent possible.

¹⁴ These are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation. See http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf.

IV. THE THIRD DRAFT ENVIRONMENTAL AND SOCIAL FRAMEWORK

68. **The third draft ESF aims to advance sustainable development through effective and more efficient risk management.** It represents the outcome of extensive internal and external consultations, in-depth analysis, and evaluations of the current safeguard system. It is designed to be a more modern approach to environmental and social risk management that promotes better project outcomes. It is informed by the safeguards systems of other MDBs, in particular the IFC's (as the Executive Directors mandated when they endorsed the approach paper for this review). It attempts to reconcile the widely varying views of shareholders and stakeholders, but makes clear decisions in favor of implementability and an improved coverage of environmental and social risk when views are not reconcilable. The ESF presents an opportunity for stakeholders to advance a common approach to promote sustainable development that responds to many different challenges, is applicable in varying contexts, and reflects the diversity of views in a multilateral development organization. There is no one-size-fits-all approach to managing environmental and social risks and impacts. The ESF presents an approach to tailoring risk instruments to project risks, impacts, and context. This section describes the principles underlying the proposed Framework and the structure of the Framework, outlines the objectives, and summarizes the content of its individual elements.

A. Principles

1. Implementability

69. **Borrowers' ability to implement the proposed requirements is a crucial factor for realizing the ambitions and aspirations of the Framework.** Section III described the focus of the third phase consultation on implementability, and Management's conclusions. The third draft ESF—the outcome of a 3- to 4-year process of developing a robust new generation of environmental and social standards that responds to new challenges—is balanced and implementable.

2. Outcomes-based approach

70. **The proposed outcomes-based approach shifts the emphasis of environmental and social risk management from carrying out processes to achieving better development outcomes.** It allows for adaptive management of project risks and impacts, which will improve borrowers' ability to adjust projects to unexpected changes and will potentially reduce the need for legal restructuring of projects. Both internal and external evaluations of selected World Bank-financed projects have indicated deficiencies in the performance of projects that are caused by the current safeguard model, which tends to be more “front-loaded” and procedures-based in its approach to risk assessment and management: insufficient attention is sometimes given to monitoring and supervising projects and to assessing how people and communities have actually been affected by World Bank-financed projects. To address this, the ESF (a) establishes an outcomes-based approach that requires Bank staff to monitor projects in a manner proportionate

to risks and impacts; (b) requires borrowers to communicate with stakeholders during implementation on a continuing basis about how project environmental and social issues are affecting them and address their grievances appropriately; and (c) introduces a revised risk management approach under which borrowers' time-bound actions may be addressed in the legal agreement or ESCP.

3. Efficiency

71. **The front-loading of risk assessment and preparation of largely generic instruments can extend project preparation time.** Preparing instruments early can also mean that they do not accurately reflect project realities on the ground. However, efficiency can be enhanced by systematically planning ahead and anticipating major environmental and social risks and impacts for projects even when they are still in the pipeline, and adequately preparing for managing the risks and impacts. The proposed Framework will help achieve efficiency gains in project processing through less front-loading, the timely preparation of instruments, better project planning to identify and manage environmental and social issues as early as possible, better scoping of projects with regard to environmental and social risks and impacts, and the use of part or all of the borrower's framework, as appropriate.

72. **Clearer project boundaries allow borrowers to better manage project-related environmental and social risks and impacts.** These changes, together with enhanced technical support from the World Bank, will lead to better risk management outcomes. The ESF takes borrower constraints into account as it allows for actions to be addressed in a timeframe acceptable to the Bank and with consideration of technical and financial feasibility. The potential use of borrower frameworks encourages borrowers' greater sense of project ownership and allows them to address risks and impacts in a more resource-efficient way. Assessment of borrower frameworks will identify areas where capacity building is required.

4. Accountability

73. **The ESF includes a Standard dedicated to stakeholder engagement and information disclosure.** The proposed provisions strengthen the role of stakeholders in the risk management process throughout the project cycle.

74. **The proposed Framework includes systematic requirements for project-level grievance redress mechanisms commensurate to the nature of and risks associated with the project, thereby promoting borrowers' accountability.** Greater detail within the ESF provides borrowers with more clarity on World Bank requirements, on roles and responsibilities, and on decision-making processes. Provisions for disclosure and documentation are also clearer.

75. **The Bank's accountability is increased through clearer roles and responsibilities that define the Bank's due diligence in greater detail.** The new Policy, Procedure, and Directive provide clear and broader terms of responsibility for the Bank than are evident today in the fragmented and often redundant language set out in the eight safeguard policies and procedures.

5. Building capacity and institutions

76. Most countries have frameworks for managing environmental and social risks and impacts, but they reflect different levels of technical capacity. Management recognizes that most borrowers' environmental and social management systems will need to be further developed to manage environmental and social risk more effectively. The ESF is designed to help borrowers build their institutions over time and develop capacity that will strengthen their approach to managing environmental and social risk. The Bank acknowledges that many borrowers cannot be expected to have frameworks in place that are equivalent to the Bank's. The Bank will work with borrower frameworks fully or partially as long as that use will achieve outcomes that are materially consistent with the objectives of the ESSs.

6. Harmonization

77. The ESF brings the World Bank's environmental and social requirements into close functional alignment with the requirements of IFC and MIGA, facilitating project cofinancing. Although there are some differences between IFC's Performance Standards and the proposed ESSs that reflect the organizations' different mandates, the requirements of the WBG institutions will be more closely aligned with regard to structure and areas covered. The ESF is also more harmonized with the requirements of other MDBs and institutions that apply the Equator Principles. This means that, in cofinancing situations, it will be easier for borrowers to satisfy the often very similar requirements of different lending institutions. (Annex 4 compares MDBs' provisions regarding the issues most frequently discussed by shareholders during consultations: Indigenous Peoples, human rights, non-discrimination, labor, climate change and GHG emissions, use of borrower frameworks, and disclosure requirements.)

7. Partnerships

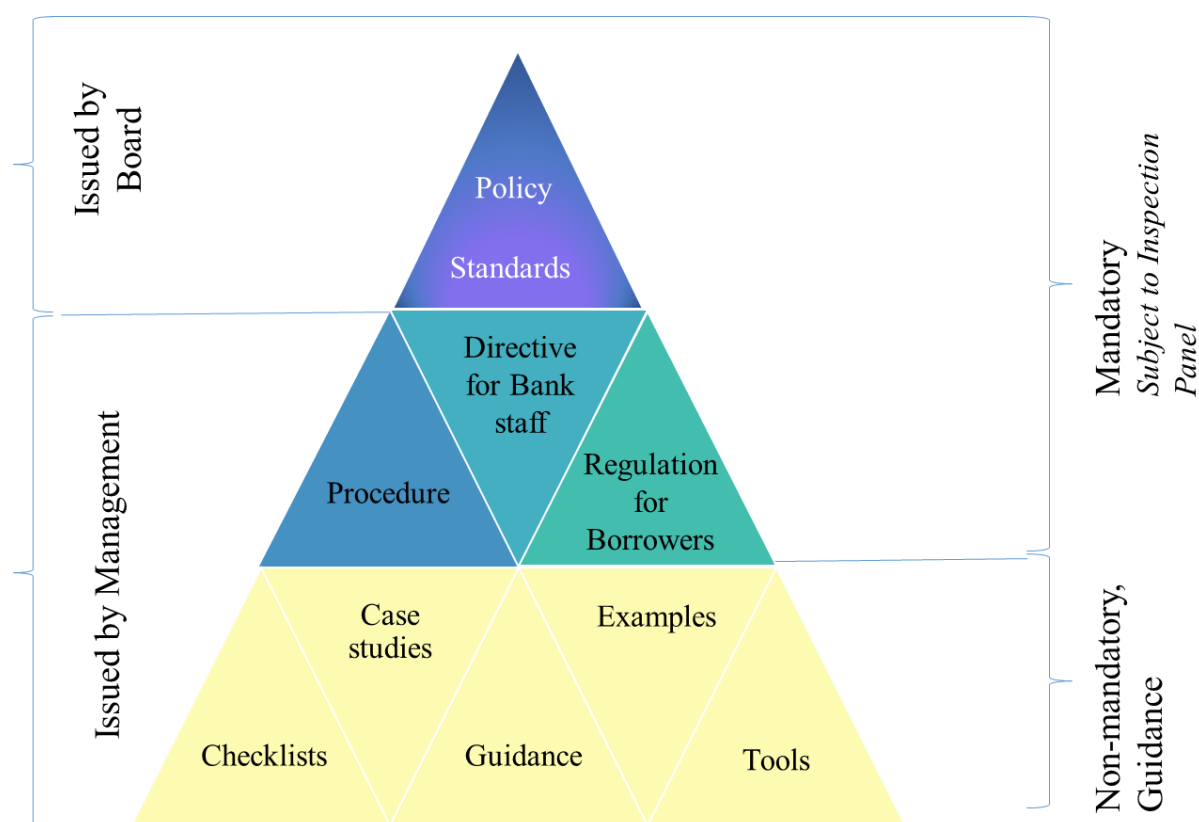
78. The proposed ESF is built on the concept of the Bank as a global development partner. It strengthens the Bank's partnership with borrowers by encouraging the increased use of borrower frameworks and close cooperation with borrowers to build and strengthen their environmental and social risk management capacity. ESS10 proposes a systematic approach to continuous stakeholder engagement and meaningful consultations that aims to establish and maintain partnerships among borrowers, project-affected parties, and interested stakeholders. The proposed common approach referred to in the Policy and in ESS1 should facilitate new possibilities for cooperation with development partners when the Bank jointly finances projects. Structured dialogue with strategic partners will leverage both internal and external expertise and knowledge. The Bank has already entered into partnerships with the International Union for Conservation of Nature to cooperate on issues pertaining to biodiversity; with the Asian Development Bank to cooperate on the assessment and use of borrower frameworks, and with ILO to cooperate on issues pertaining to labor and working conditions.

B. Structure

79. The proposed ESF comprises the Vision for Sustainable Development, Environmental and Social Policy, Environmental and Social Procedure, Bank Directive Addressing Risks

and Impacts on Disadvantaged or Vulnerable Individuals or Groups for information, and Environmental and Social Standards for Borrowers. The documents conform to the World Bank’s Policy and Procedures Framework (see Figure 2). The ESF replaces OP/BP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*; OP/BP 4.01, *Environmental Assessment*; OP/BP 4.04, *Natural Habitats*; OP 4.09, *Pest Management*; OP/BP 4.10, *Indigenous Peoples*; OP/BP 4.11, *Physical Cultural Resources*; OP/BP 4.12, *Involuntary Resettlement*; OP/BP 4.36, *Forests*; and OP/BP 4.37, *Safety of Dams*.¹⁵ The content of the existing documents has been reviewed and, as appropriate, incorporated into the ESF. If approved by the Board, the ESF would apply to World Bank IPF. Instrument-specific provisions for addressing environmental and social considerations, namely those for Program-for-Results (PforR) operations and development policy operations, will continue to be set out in the relevant instrument-specific operational requirements.

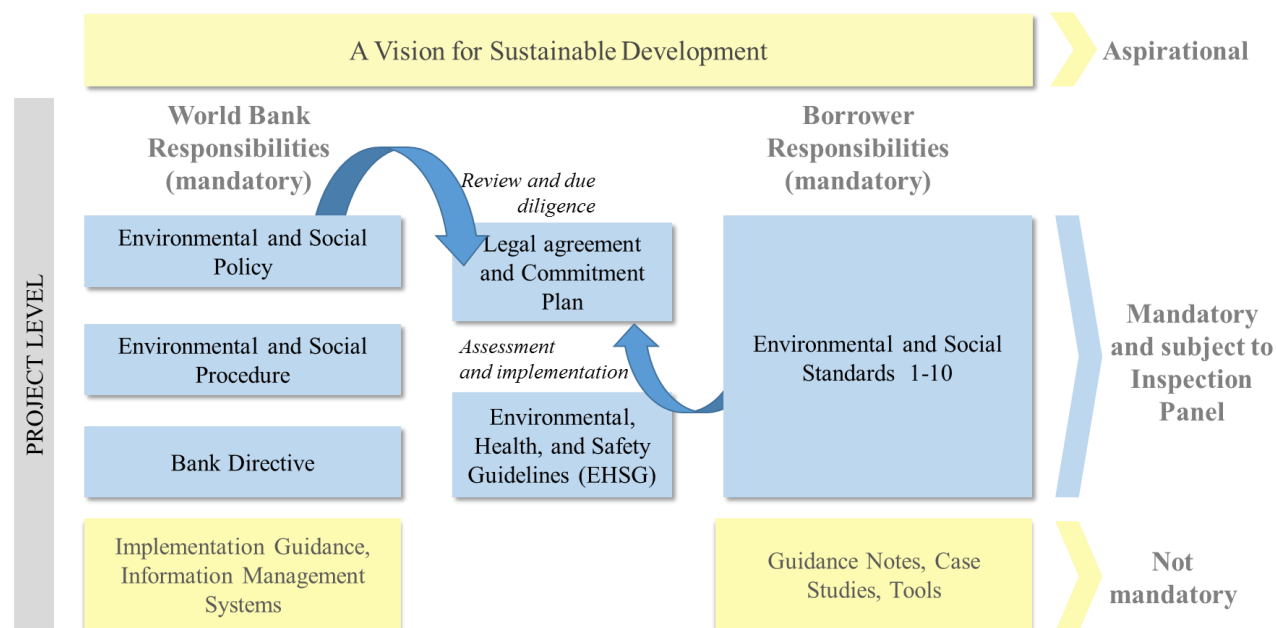
Figure 2. Policy and Procedures Framework supporting the ESF



¹⁵ At this time, the review does not affect OP4.03 (World Bank Performance Standards for Private Sector Activities); OP7.50 (Projects on International Waterways); and OP7.60 (Projects in Disputed Territories).

80. The overall ESF package provided to the Board of Executive Directors includes an aspirational Vision and the mandatory aspects of the Framework (Policy, Environmental and Social Standards for Borrowers, Procedure; and Directive; see Figure 3).

Figure 3. Structure of the proposed Framework



1. Vision for sustainable development

81. The Vision for Sustainable Development articulates the World Bank's objectives of setting strong standards for IPF, promoting the achievement of sustainable development outcomes in World Bank-supported projects. The Vision sets out the World Bank's commitment to environmental sustainability, including stronger collective action to support climate change mitigation and adaptation. It recognizes that social development and inclusion are critical for all of the World Bank's development interventions. For the World Bank, inclusion means empowering all people to participate in, and benefit from, the development process and removing barriers against those who are often excluded from the development process. The Vision emphasizes that the World Bank's activities support the realization of human rights expressed in the Universal Declaration of Human Rights. Through the projects it finances, and in a manner consistent with its Articles of Agreement, the World Bank will continue to support its member countries as they strive to progressively achieve their human rights commitments.

2. Requirements for the Bank: Environmental and Social Policy (ESP), Bank Directive Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups

82. The proposed Policy clarifies and brings together in one place the roles and responsibilities of the World Bank, which were previously set out in eight different operational policies and related procedures. The ESP specifies the World Bank's environmental

and social requirements in relation to IPF projects it supports. It describes the principles of the environmental and social requirements for the World Bank and provides more clarity on the environmental and social risks and impacts that the World Bank considers in its due diligence. It requires borrowers to structure projects so that they meet the ESSs in a manner and timeframe acceptable to the World Bank, taking into account borrowers' technical and financial constraints and allowing for progressive realization, but it also ensures that no project components are allowed to proceed unless appropriate environmental and social risk management is in place. It introduces a risk-based classification system to enhance consistency and decision-making.

83. Consultations focused on many of the provisions in the ESP, and a number of changes were made to reflect consultation input. Main changes:

- The list of examples of disadvantaged or vulnerable groups has been moved to the Directive.
- The revised ESP reflects a more equitable dynamic between the Bank and borrowers with regard to borrower frameworks: the decision on the use of borrower frameworks will be made jointly by the Bank and the borrower rather than by the Bank alone, as in the second draft ESF. A clarification has been added that the decision to use the borrower's framework does not relieve the Bank of any of its due diligence obligations and that key information about the use of the borrower's environmental and social framework will be disclosed as early as possible.
- The ESCP, a legal agreement between the Bank and the borrower, will be agreed between the Bank and the borrower. The ESCP is to be disclosed as early as possible, and before project appraisal.
- A clarification has been added that the Bank will review any revision of the ESCP that is made as part of adaptive risk management, including changes resulting from modifications in the design of a project or from project circumstances.
- A clarification has been added that the Bank will disclose documentation related to the environmental and social risks and impacts of projects of High and Substantial risk before Board appraisal.
- Language has been added to define circumstances in which the project-related documents for projects of High and Substantial risk will be prepared and disclosed after Board approval.

84. The third draft ESF includes a newly developed Directive for Bank staff to consider the non-discrimination principle during project appraisal. The Directive gives instructions to Bank staff regarding due diligence obligations with regard to assessing and managing risks and impacts falling on disadvantaged or vulnerable individuals or groups. It defines "disadvantaged or vulnerable" as individuals or groups who may be more likely to be adversely affected by project impacts because of their physical or personal attributes. It lists examples, which are illustrative and not exhaustive, and mandates that projects need to be scoped for issues of vulnerability that need to be addressed. When scoping for vulnerability risks, Bank staff should not place people (including themselves) in a position of risk, and they are not to be a vehicle for values other than those of the country the project is situated in. The consideration of non-discrimination issues should also be carried out in a culturally sensitive manner. A list of examples of grounds for

vulnerability was removed from the Policy and ESS1 in response to borrowers' concerns about its consistency with national laws and with religious, social, and cultural values and norms. The Directive places a responsibility on staff to consider the extent to which the project addresses issues related to the non-discrimination principle.

85. **It is envisaged that the Directive will be issued by the World Bank Group President.** The provisions set out in the Directive are mandatory for Bank staff and subject to investigations by the Inspection Panel.

86. **The Procedure provides Management's instructions to World Bank staff on applying the Policy.** It regulates accountability and the decision-making processes for environmental and social risk management across the World Bank and is intended to ensure that risk management support is handled effectively. It addresses implementation issues such as the timing of the completion of risk assessment and mitigation measures, risk classification, mitigation hierarchy, disclosure, assessment of borrower frameworks, decisions on technical and financial feasibility, accountabilities, roles and responsibilities, and other instructions necessary for the effective application of the ESF.

3. Requirements for Bank and Borrowers: ESCP and EHSG

87. **To facilitate project preparation and support compliance throughout the life of a project, the World Bank and the borrower will agree on an ESCP.** The ESCP sets out the project commitments and is part of the financing agreement. It supports actionable risk management through adherence to the ESSs throughout the lifetime of the project, including, as necessary, dated covenants that are commonly used in the financing agreements of other development finance institutions, including IFC.

88. **The ESCP constitutes a binding document as part of the legal agreement between the World Bank and the borrower.** It summarizes and consolidates in a clear and unambiguous manner the material measures and actions that are required for a project to achieve compliance with the ESSs and the timeframe in which they must be implemented. The ESCP takes into account the findings of the environmental and social assessment, the World Bank's environmental and social due diligence, and the results of engagement with stakeholders. It forms the basis for monitoring the environmental and social performance of the project, defines the means and frequency of reporting on the implementation of measures and actions required to achieve compliance with ESSs, and specifies any aspects of the national environmental and social framework that are to be used.

89. **The World Bank Group's Environmental, Health, and Safety Guidelines (EHSG) consist of technical reference documents with general and industry-specific examples of good international industry practice.** While the EHSG are mandatory, they allow the Bank to consider the borrower's technical or financial constraints.

4. Requirements for Borrowers: Environmental and Social Standards (ESSs)

90. **The third draft ESF includes a version of the proposed ESSs that has been revised to reflect consultation feedback and internal analysis.** Management believes that the revised Standards present an appropriate position that balances the differing views expressed during

consultations with what is practical and implementable. This position is also grounded in the operational experience of Bank staff.

91. **The ESSs presented in this section are linked with each other and should not be read in isolation.** ESS1 and ESS10 are the key process ESSs. The remaining Standards address specific themes. Many of the Standards are further elaborated upon in the EHSG.

ESS1: Assessment and Management of Environmental and Social Risks and Impacts

92. **ESS1 is the overarching standard that, together with ESS10, applies to all projects and considers the use of the borrower’s existing environmental and social framework.** It sets out the requirements for the borrower, which relate to environmental and social assessment and management and monitoring of investment projects. ESS1 provides clarity on key definitions, such as “project” and “associated facilities.” It introduces a clear and actionable risk management system through the ESCP, which forms part of the legal agreement. It also moves closer to a harmonized approach with other development partners on management of environmental and social risks. ESS1 describes the mitigation hierarchy and is informed by the ecosystem services concept.

a) Issues discussed during third phase consultations

93. **Consultations with borrowers focused on the non-discrimination principle anchored in ESS1 and on the use of borrower frameworks.** As was discussed in Section III, borrowers, especially those with strong national frameworks for environmental and social risk management, asked that the Bank adopt a relatively low threshold for using borrower frameworks. However, a small number of donor governments and CSOs expressed concern about the Bank’s due diligence when borrower frameworks were used. The discussion about non-discrimination was also described in Section III. While donor governments and CSOs called for wide-ranging and explicit protections for specific vulnerable groups, borrowing governments were concerned about the consistency of ESS1 with national regulations and cultural values. Borrowers discussed requirements for the ESCP, cumulative and indirect impacts, project boundaries, associated facilities, primary suppliers, and requirements for including third-party specialists, with an emphasis on implementability. Other items listed as issues for consultation—the common approach, risk classification, and adaptive risk management—were not as widely discussed.

b) Changes in the third draft of ESS1 as compared to the second draft

94. **Following consultations, the following main changes were made to the proposed ESS:**

- Changes made to the proposed ESP are reflected in ESS1 as appropriate.

- A clarification has been added that the requirement to compensate for significant residual impacts may include measures to assist affected parties to improve or at least restore their livelihoods as relevant in a particular project setting.
- Definitions for direct and indirect impacts have been added along with a clarification that indirect impacts do not include induced impacts.
- A clarification has been made that under the mitigation hierarchy the borrower will offset or compensate for significant residual impacts, where technically and financially feasible. Additional explanations have been added to provide more clarity on the meaning of the phrase “technically and financially feasible.”
- The revised ESS1 provides more clarity that the requirements for subprojects are proportionate to their risk and that an initial screening will be deemed sufficient for projects with multiple small subprojects with minimal or no adverse risks and impacts.
- A clarification has been added that the assessment and mitigation for risks and impacts related to primary suppliers are limited to ESS2 and ESS6, and is proportionate to the borrower’s control or influence over such primary suppliers.
- Additional explanations have been added regarding “associated facilities” and “cumulative impact” to provide more clarity on project boundaries.
- A clarification has been added that the retention of independent specialists for project monitoring will be agreed between the Bank and the borrower and set out in the ESCP.

ESS2: Labor and Working Conditions

95. **ESS2 is derived from provisions of other MDBs and reflects the public sector nature of the World Bank’s operations and its relationship to borrower governments.** The standard builds on borrower countries’ existing commitments to international labor laws and conventions and focuses on requirements related to non-discrimination, child labor, forced labor, freedom of association, and the right to collective bargaining. It reflects the core principles of ILO’s Fundamental Principles and Rights at Work. ESS2 applies to workers employed directly by the borrower to work specifically in relation to the project, and to contractors, primary supply chain workers, and workers involved in community labor. It clearly establishes the requirement for a grievance mechanism for workers and for worker health and safety provisions, reflecting the World Bank Group’s EHS.

a) Issues discussed during third phase consultations

96. **During consultations, borrowers, ILO, and international labor unions extensively discussed the implementability of the proposed labor provisions.** Borrowers debated the practicality of requirements regarding third-party employers, community labor, primary suppliers, and grievance mechanisms. Another major concern was the consistency of the requirements with national law. Donors and nongovernmental organizations that are active on labor issues argued for

a reference to ILO's Declaration on Fundamental Principles and Rights at Work and the core labor principles laid out in it. They also discussed the term of "harmful child labor," arguing that it should not be implied that child labor could be harmless in certain circumstances. Some borrowing governments emphasized that it should be possible for children to be involved in, for example, their family's agriculture businesses and activities if this involvement is not harmful to their development.

b) Changes in the third draft of ESS2 as compared to the second draft

97. Following consultations, the following main changes were made to the proposed ESS:

- The words "in a manner consistent with national law" have been added to the objective of supporting the principles of freedom of association and collective bargaining.
- An objective to "provide project workers with accessible means to raise workplace concerns" has been added.
- A sentence has been added to clarify that discrimination or retaliation against project workers who participate, or seek to participate, in workers' organizations and collective bargaining is to be avoided.
- The protection of "community workers" has been added to the objectives of ESS2. A clearer explanation has been added of the circumstances in which community labor may be used. The application of all requirements of ESS2 may not be appropriate for community workers.
- The term "harmful" child labor has been deleted to harmonize with ILO's conventions. All other requirements regarding child labor are maintained.
- Regarding the requirement for borrowers to exert "all" reasonable efforts to ascertain that contractors are "reputable" and legitimate, "all" has been deleted and "reputable" has been replaced with "reliable" to provide more clarity on the requirement.
- The borrower's responsibility has been limited to focus on requiring primary suppliers to take necessary measures on occupational health and safety and child and forced labor. The requirement to monitor primary suppliers has been removed.
- The text has been amended to clarify that a grievance mechanism will be provided to "direct workers and contracted workers" instead of "all project workers" and that the grievance mechanism is proportionate to the nature and scale, and to the risks and impacts, of the project.

ESS3: Resource Efficiency and Pollution Prevention

98. ESS3 acknowledges the need to be mindful of the world's diminishing resources and encourages improvements in resource efficiency. The standard sets out project-level requirements relating to resource efficiency, clean production, and pollution prevention and management. It requires borrowers to implement measures for improving efficiency in the

consumption of energy, water, and other resources and material inputs. It also requires borrowers to estimate their GHG emissions and to consider options to reduce them. ESS3 incorporates existing World Bank requirements, including those of OP 4.09, *Pest Management*, and addresses the generation and treatment of wastes, hazardous materials, and pesticides. The requirements of ESS3 carry on the principles of technical and financial feasibility from the Bank's safeguard policies.

a) Issues discussed during third phase consultations

99. **The estimation of GHG emissions was at the core of discussions around ESS3.** This topic was described in Section III. Borrowers focused on the cost and effort associated with requirements to estimate GHG emissions for projects. Donors saw a need for including a numeric threshold above which emission estimation would be required.

b) Changes in the third draft of ESS3 as compared to the second draft

100. **Following consultations, the following main changes were made to the proposed ESS:**

- Two new objectives were added to reflect the content of the ESS: “to avoid or minimize generation of hazardous and non-hazardous waste” and “to minimize and manage the risks and impacts associated with pesticide use.”
- A clarification has been added that the estimation of air pollution is part of the environmental and social assessment of the project. The Bank will provide assistance to a borrower that does not have the capacity to estimate GHG emissions, for example relating to IDA or to projects affected by fragility, conflict, or violence. In providing this assistance the Bank may carry out GHG estimation on behalf of the borrower, at the Bank's cost, or may provide technical assistance for using estimation methodologies.
- The scope of the estimation requirement has been limited: it does not apply to projects that have diverse and small sources of emissions (for example, community-driven development projects) or those for which emissions are not likely to be significant (for example, projects in social protection).

ESS4: Community Health and Safety

101. **ESS4 consolidates into one standard the existing practices related to the impacts of projects on communities.** It incorporates OP/BP 4.37, *Safety of Dams*, and also captures many of the World Bank's provisions regarding the design and safety aspects of infrastructure, equipment, products, services, traffic, and hazardous materials. It requires borrowers to develop and implement measures to address possible community exposure to disease as a consequence of project activities and to address emergencies through contingency planning. ESS4 includes requirements on security personnel (both government and private) that are similar to the provisions of some other MDBs.

a) Issues discussed during third phase consultations

102. **ESS4 was not a major focus of the consultation and was also not included in the indicative list of issues for consultations.** Stakeholders pointed out the needs to ensure that communities are effectively prepared to respond to disasters and to address climate change adaptation. There were requests for clarifications of safety measures for dams and for the mitigation of risk related to dams. Some borrowers argued that the requirement to hire international dam experts is not appropriate if comparable domestic independent experts are available.

b) Changes in the third draft of ESS4 as compared to the second draft

103. **Following consultations, the following main changes were made to the proposed ESS:**

- Two new objectives were added to reflect the content of the ESS, namely to (a) “promote quality and safety, and considerations relating to climate change, in the design and construction of infrastructure” and (b) “avoid or minimize community exposure to project-related traffic and road safety risks, diseases and hazardous materials.”
- A clarification has been added that the assessment of the project’s risks and impacts on the community includes those on the vulnerable.
- A clarification has been added that the concept of universal access applies to projects that involve provision of services to communities, where technically and financially feasible.
- To allow the inclusion of national experts, ESS4 has been amended to state that dam safety panel members must have recognized international expertise in their field, rather than being “internationally known experts.”
- A clarification has been added that ESS4 allows for a risk-based approach, and the requirements applicable to dams with negligible risks have been clarified. The timing of preparation of dam safety reports has been clarified.
- Requirements for traffic and road safety have been clarified.

ESS5: Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement

104. **ESS5 applies to all situations in which land is acquired for a project, or restrictions on land use are imposed.** It provides direction on the treatment of public land, land titling activities, access to common resources (marine and aquatic resources, forest products, freshwater, hunting and gathering, grazing and cropping areas), and voluntary transactions. ESS5 prohibits forced evictions. It requires a single resettlement instrument, which can be adapted to the circumstances of the project. It addresses the rights of different categories of affected people, including those without legal right or claim to the land they occupy, and includes gender considerations. It allows compensation to be paid into escrow under specified circumstances. It specifies the treatment of squatter landlords and indirect impacts on livelihoods. ESS5 builds on OP 4.12, *Involuntary Resettlement*, which has served the Bank well for many years.

a) Issues discussed during third phase consultations

105. **While ESS5 was discussed widely during consultations, discussions focused on only a few specific aspects of land acquisition and resettlement.** This is reflected in the proposed changes to ESS5. The majority of comments from donors and CSOs focused on the timing of the preparation and disclosure of relevant documents and the coverage of resettlement caused by associated activities (“downstream impacts”). Both are matters treated in the proposed Policy and in ESS1. Other topics discussed include the treatment of resettlement as sustainable development programs and impacts on livelihoods that do not directly result from land acquisition or restrictions on land use. The majority of comments from borrowing governments focused on compensation for informal occupants.

b) Changes in the third draft of ESS5 as compared to the second draft

106. **Following consultations, the following main changes were made to the proposed ESS:**

- The language of the fifth objective in ESS 5 has been adjusted to state that resettlement activities will be conceived and executed as “sustainable development programs, providing sufficient investment resources to enable displaced persons to benefit directly from the project.” This reflects the language in OP 4.12, and replaces the term “development opportunities” used in the second draft.
- It has been clarified that compensation and other resettlement assistance for people deriving income from multiple illegal buildings (“squatter landlords”) may be reduced in certain circumstances.
- The definition of “forced evictions” makes it clear that where lawful and ESS-compliant acquisition processes have been followed and people still refuse to relinquish the land, the borrower may use eminent domain, compulsory acquisition, or similar powers, provided these measures follow national law and respect due process.
- The definition of “land acquisition” has been expanded to cover situations in which project impacts render land physically unusable or inaccessible, even when the legal acquisition of land is not involved.
- Language adapted from OP 4.12 has been added, indicating that ESS5 would not apply to restrictions on access to natural resources that a community itself may choose to apply in the context of a community-based project, provided certain conditions are met.
- The criteria governing the use of escrows have been tightened to reduce the chances that people may be displaced before receiving or being offered compensation.

ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

107. **ESS6 addresses the range of biodiversity issues currently covered by OP/BP 4.04, *Natural Habitats*, and OP/BP 4.36, *Forests*.** In line with the provisions of other MDBs, it establishes a proportionate approach to biodiversity protection and encourages the sustainable use

of living natural resources. The standard addresses all habitats and requires borrowers to assess and take measures to mitigate the impacts of the project on biodiversity, including such impacts as loss of habitat, degradation, invasive alien species, over-exploitation, hydrological changes, nutrient loading, and pollution. ESS6 includes specific requirements for critical habitats (and aligns the definition of critical habitats with the definition used by IFC) and for legally protected and internationally recognized areas for biodiversity. It permits biodiversity offsets in limited circumstances. When borrowers purchase primary production, ESS6 includes requirements relating to primary suppliers.

a) Issues discussed during third phase consultations

108. **Borrowers' discussion of the proposed ESS6 focused mostly on the implementability of the requirements regarding primary suppliers and ecosystem services.** They also discussed the consistency of the proposed provisions with national laws. Donor governments and CSOs focused on biodiversity offsets.

b) Changes in the third draft of ESS6 as compared to the second draft

109. **Following consultations, the following main changes were made to the proposed ESS:**

- The requirements on ecosystem services have been removed and integrated into ESS1 to clarify that the borrower will assess the risks and impacts on ecosystem services as part of its environmental and social assessment and will apply the mitigation hierarchy specified in ESS1.
- To strengthen the emphasis on prior steps in the mitigation hierarchy for managing impacts on biodiversity, a clarification has been added that offsets would be considered only on an exceptional basis in cases of impacts on critical habitats. Qualified experts will assist in the design and implementation of offsets, to ensure that offsets can be reasonably expected to meet the requirements of ESS6. A commitment not to support projects that would involve significant conversion or degradation of critical natural habitats is carried over from the current policy.
- A definition of net gains has been added, clarifying that net gains are additional conservation outcomes that can be achieved for the biodiversity values for which the natural or critical habitat was designated.
- A distinction has been introduced between industrial-scale operations and small producers with regard to the application of all ESS6 requirements.
- A requirement from OP 4.36 has been introduced, requiring that industrial-scale commercial forest harvesting operations must be certified under an independent forest certification system.
- A reference to IFC's Good Practice Note on "Improving Animal Welfare in Livestock Operations" and clarifications on animal welfare have been added.

ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

110. **The proposed ESS7 aims to address implementation challenges and consolidate a range of stakeholder views.** The Standard applies when Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities are present in or have a collective attachment to the project area, regardless of potential risks or impacts. It sets out criteria for identifying Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. It requires borrowers to take appropriate measures to protect Indigenous Peoples and historically underserved traditional local communities that are in voluntary isolation. ESS7 prohibits forced evictions of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. It requires borrowers to conduct meaningful consultation with Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. In three specific circumstances (impacts on lands and natural resources under traditional ownership, use, or occupation; relocation from such land; and significant impacts on cultural heritage) it also requires borrowers to obtain the FPIC of affected Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities.

a) Issues discussed during third phase consultations

111. **Borrowing shareholders discussed the proposed ESS7 mainly with regard to the terminology used in the title of the ESS and the definition of FPIC.** Many African shareholders saw the potential for ethnic tensions caused by singling out specific groups. They also pointed out that under some constitutions, countries may not make distinctions among population groups based on ethnic origin. Borrowers in Africa and in Latin America were also concerned that FPIC could be interpreted as having a veto function, leading to the cancelation of projects if not all Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities agreed. Among donors and civil society, ESS7 was discussed with a focus on the need for a strong FPIC that reflects the progress Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities have made in the past decades with regard to the recognition and protection of their unique rights.

b) Changes in the third draft of ESS7 as compared to the second draft

112. **Following consultations, the following main changes were made to the proposed ESS:**

- The words “/Sub-Saharan African Historically Underserved Traditional Local Communities” have been added to the title, but it has also been made clear that the use of this title does not broaden the scope of application of the Standard.
- A new paragraph has been added that emphasizes the different terminologies that may be used in a national context to describe Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. These terms reflect the terminology available under OP 4.10 (with the addition of “Sub-Saharan African Historically

Underserved Traditional Local Communities”). This paragraph also makes it clear that regardless of the terminology used, ESS7 applies to a distinct social and cultural group that is identified by specific criteria also set out in ESS7.

- Borrowers may request the Bank to use an alternative terminology for the Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities as appropriate to the national context of the Borrower. The requirements of ESS7 apply to all such groups regardless of which terminology is used.
- A new paragraph emphasizes that the environmental and social assessment of the project supports the identification of measures to address concerns that project activities may exacerbate tensions between different ethnic or cultural groups.
- The revised ESS7 clarifies that *consent* refers to the collective support of affected Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities for the project activities that affect them, reached through a culturally appropriate process. It may exist even if some individuals or groups object to such project activities.
- A clarification was added that FPIC will be applied to Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities’ cultural heritage only when projects have significant impacts on cultural heritage that is material to the identity or cultural, ceremonial, or spiritual aspects of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities’ lives.
- The revised ESS7 clarifies that the Bank may follow national processes during project screening for the identification of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities where these processes meet the requirements of the Standard.

ESS8: Cultural Heritage

113. **ESS8 applies to all projects that are likely to have adverse impact on cultural heritage.** It requires projects to use a chance finds procedure and other approaches for the protection of tangible and intangible cultural heritage. ESS8 requires that relevant stakeholders be consulted about cultural heritage. It identifies different types of cultural heritage and sets out specific requirements when the project will use cultural heritage for commercial purposes.

a) Issues discussed during third phase consultations

114. **Cultural heritage was not among the issues that were widely discussed during consultations.** Borrowers remarked that the inclusion of intangible cultural heritage could increase the effort required by the borrower to manage related risks. A suggestion was made to limit the requirements to where intangible cultural heritage is used for commercial purposes. CSOs and academics discussed the challenges of addressing the full range of issues that fall under the

definition of “intangible cultural heritage” and the relationship between the proposed ESS8 and the 2003 UNESCO Convention for the “Safeguarding of the Intangible Cultural Heritage.”

b) Changes in the third draft of ESS8 as compared to the second draft

115. Following consultations, the following main changes were made to the proposed ESS:

- To reflect the scope of the ESS, the “promotion of meaningful consultation with stakeholders regarding cultural heritage” has been added as an objective.
- The definition of intangible cultural heritage has been revised to harmonize with the 2003 UNESCO Convention for the “Safeguarding of the Intangible Cultural Heritage,” which was ratified by 167 countries.
- The requirements for intangible cultural heritage have been clarified, and it has been specified that ESS8 applies to intangible cultural heritage only if a physical component of a project will have a material impact on such cultural heritage or if a project intends to use such cultural heritage for commercial purposes.
- The requirement of “assign value” of cultural heritage has been replaced with “consider significance” of cultural heritage.

ESS9: Financial Intermediaries

116. In response to stakeholders’ interest in and concerns over how environmental and social considerations can and should be taken into account in intermediated lending, the World Bank has consolidated and provided further detail on existing policy provisions related to financial intermediaries (FIs) into one Standard that also addresses the FI’s organizational capacity and risk management function. ESS9 aims to strike a balance between what is practical and implementable, especially in less developed countries, and the need to ensure environmental and social responsibility in FI lending. The Standard requires an FI to put in place environmental and social procedures commensurate with the nature of the FI and the level of risks and impacts associated with the project and potential subprojects. The FI is required to meet the requirements of ESS2 and ESS9 for its own operations and to screen, appraise, and monitor all subprojects. ESS9 requires that all subprojects meet national environmental and social requirements. In addition, subprojects involving more than minor risks and impacts related to resettlement, adverse risks or impacts on Indigenous Peoples, or significant risks or impacts on the environment, community health, biodiversity, or cultural heritage will apply the relevant requirements of the ESSs. FIs are required to submit annual reports to the World Bank on their environmental and social performance.

a) Issues discussed during third phase consultations

117. **ESS9 was mainly discussed by CSOs and by a small number of donor governments.** Concern was expressed about the Bank's due diligence when risks are managed by a FI. Stakeholders argued that FIs would need to be held to the same standards as borrowers. Those Borrowers, who discussed ESS9, focused on the practicality of borrower oversight of FIs.

b) Changes in the third draft of ESS9 as compared to the second draft

118. **Following consultations, the following main changes were made to the proposed ESS:**

- A clarification has been added that when FI subprojects are likely to have minimal or no adverse environmental or social risks or impacts, the FI will apply national law.
- FIs will require that their subprojects conduct stakeholder engagement as set out in ESS10, in a manner proportionate to the risks and impacts of the subprojects. This is in contrast to the second draft that placed the requirement on the FI.
- The requirements for disclosure by FIs have been adjusted to address concerns about compliance with confidentiality under national laws. FIs will be required to disclose a summary of the elements of their Environmental and Social Management System. Sub-borrowers are required to disclose any project-related documents and environmental and social monitoring reports required by the ESSs and for any FI subprojects categorized as high risk in accordance with the FI's own categorization system.
- A section has been added to define requirements related to FIs' organizational capacity and competency.

ESS10: Information Disclosure and Stakeholder Engagement

119. **ESS10 recognizes that engagement with stakeholders, including affected communities and workers, is essential to achieving sustainable development outcomes in projects.** It responds to the concerns that stakeholders, especially project-affected parties, are not sufficiently engaged in project-related matters after Board approval and therefore often do not have a say during implementation. It also aims to improve the overall quality of stakeholder engagement. ESS10 requires borrowers to conduct stakeholder engagement proportionate to the nature and scale of the project throughout the life of the project. Borrowers are required to identify stakeholders and develop and disclose an appropriate stakeholder engagement plan. ESS10 sets out requirements on how engagement should take place, including meaningful consultation with all stakeholders; requires borrowers to inform project-affected parties of changes in the project that will affect them; and requires that a grievance mechanism be established to address stakeholder concerns.

a) Issues discussed during third phase consultations

120. **Borrowers discussed the implementability of the requirements to develop and disclose a Stakeholder Engagement Plan (SEP) that is proportionate to the project risks and impacts.** They also argued that only project-affected parties should be considered as stakeholders, and that they should be identified by the borrower. Civil society stakeholders called for more specific requirements for grievance mechanisms and for referencing the Inspection Panel in ESS10. Overall, they asked for requirements for extensive and ongoing stakeholder participation, including third-party monitoring, throughout the project lifecycle. The timing and nature of documents disclosed in relation to a project's environmental and social risk management was also discussed with regard to ESS10. This issue is addressed in ESS1 and appropriately reflected in ESS10.

b) Changes in the third draft of ESS10 as compared to the second draft

121. **Following consultations, the following main changes were made to the proposed ESS:**

- It has been clarified, in the objectives of the Standard, that materials will be disclosed in a timely way and in an understandable and accessible format.
- The requirements for disclosure have been adjusted to reflect the disclosure provisions in the ESP and in ESS1.
- A clarification has been added that borrowers will disclose their record of stakeholder engagement as part of the environmental and social assessment.
- The SEP will be developed by the borrower in consultation with the Bank, and the draft SEP will be disclosed as early as possible, and before project appraisal. The borrower will consult on the SEP. When the SEP is modified significantly, the updated SEP will also be disclosed.
- The list of examples of vulnerable or disadvantaged individuals or groups has been moved to a Directive.

5. Guidance for the World Bank and Borrowers

122. **The new proposed ESF is broader and, at the same time, clearer than the World Bank's safeguard policies.** The package presented to the Board includes all mandatory materials for the World Bank and borrowers. Mandatory elements will be supplemented by additional non-mandatory Guidance. For example, Guidance will address issues such as mainstreaming the consideration of disability concerns in project appraisal, the elderly, children, ecosystem services, determining technical and financial feasibility, and assessing the adequacy of environmental and social assessments and other documents. The Bank will also provide case studies and an appraisal toolkit.

123. **Management conducted an extensive review of existing Guidance throughout the World Bank Group and among key development partners.** This material will form the basis of the knowledge pool for ESF implementation. Gaps have been identified and will be filled as Management prepares for launching the ESF. New Guidance will be developed with experts (through workshops), other international financial institutions, civil society partners, and other relevant groups.

6. Other Related Policies

124. **The adoption of the proposed ESF will require appropriate adjustments to OP 10.00, Investment Project Financing, to the World Bank's Access to Information policy, and to OP4.03, Performance Standards for Private Sector Activities,** to reflect terminology and timelines introduced in the ESF. Relevant parts of the Accountability and Decision Making (ADM) Framework may also need to be revised.

V. IMPLEMENTATION

125. **The approach to implementing the ESF is informed extensively by IFC's experience in launching the Performance Standards in 2006 and updating them in 2012.** It has also been informed by the experience of the African Development Bank in launching their safeguards review in 2014, and by the ongoing plans for the launch of the World Bank's new Procurement Framework. The implementation approach is designed to both support the launch and rollout of the proposed ESF and improve the implementation of the safeguard policies.

126. **Management proposes that the implementation approach be finalized after Board approval.** The implementation of IFC's Performance Standards, for instance, was planned after Board approval. The implementation of the recently revised Procurement Framework was outlined before Board approval, but the implementation details were developed afterwards. At the same time, Executive Directors have repeatedly emphasized the need for detailed planning of ESF implementation at an early stage. Management, therefore, proposes an implementation approach that provides the main elements that can be shared with Executive Directors at this point of the process, but detailed plans will be rolled out over time.

127. **The objective of Management's proposed approach to implementing the ESF is to provide the Bank with capacity and systems to implement the proposed Environmental and Social Policy, Procedure, and Directive and to support borrowers in meeting the proposed ESSs for IPF.** The implementation approach includes a set of five concrete action areas with associated activities:

- a) ***Managing change across the Bank with regard to how operations address and manage environmental and social risks:*** needs assessment to define the existing barriers and enabling factors for change; adjustments, where needed, to internal organization and

incentives; appropriate governance structure; communication to support change management.

- b) ***Strengthening capacity and providing sustained support to borrowers:*** ESF training for borrowers, project implementation support, addressing long term Borrower needs through the Country Partnership Framework, regional capacity-building programs, guidance materials, knowledge resources, and a public sector portal for environmental and social risk management.
- c) ***Strengthening Bank capacity and systems:*** an internal learning program, guidance materials, professional accreditation system for staff and key consultants on integrated environmental and social risk management, strengthened professional development and talent management, and strengthened Environmental and Social Risk Management systems and processes, including enhanced IT systems and tools.
- d) ***Strengthening strategic partnerships with development partners:*** strengthened partnerships with borrowers, MDBs, other donors, including development of a common approach, and civil society to support borrower programs.
- e) ***Preparation for transition*** from the current regime of safeguard policies to the proposed ESF, while both systems run in parallel.

128. **If approved by the Board, it is envisaged that the ESF would be rolled out in four distinct phases** (see Figure 4). The safeguard policies would run in parallel to the ESF for about seven years after launch of the ESF (the average length of an infrastructure project is seven years). If the Concept Note of a project is dated before the launch of the ESF, the project would be governed by the current policies. In specific cases, and if requested by the Borrower, Management may decide that a project can use the ESF, as an “early adopter,” before the effectiveness date of the ESF if the project is at concept stage and preparation can proceed in accordance with the Standards.

Figure 4. Implementation phases



129. **If the ESF is approved by the Board, an Implementation Team will be established to manage the implementation process.** An appropriate governance structure will be established to

supervise, advise, and implement the launch and roll-out process. The structure for governance, management, and delivery will rely on existing institutional arrangements as much as possible, will apply lessons learned from the roll-out of the recently approved Procurement Framework, and would integrate relevant staff from OPCS, LEG, GSURR, and GENDR. It will be designed to deliver best practice project management, maintain the involvement of key stakeholders and supporting staff, and allow sufficient oversight to give Executive Directors and Senior Management confidence that the Bank is taking an efficient, coordinated, and collaborative approach to implementation. This section provides a brief overview of the main aspects of the planned implementation.

A. Managing Change in Relation to the ESF

130. Management recognizes that a systematic change management effort within the Bank will be needed to create an environment in which the different new aspects of the proposed ESF can be implemented effectively in the long term. This will require a culture change and a revised approach to incentivizing staff. The change management approach will focus on supporting the successful implementation of the ESF by helping to ensure an environment that is conducive to adopting, implementing, and sustaining the new ways of working.

131. Change management will involve the Bank’s leadership, environmental and social risk management leadership, and resourcing decision-makers in taking stock of current organizational arrangements, culture, incentives, leadership practices, and resources to identify and carry out adjustments that will better support the realization of the ESF. Adjustments may focus on role definitions, role relationships, and leadership strategies to provide the right types of incentives and the right levels of support to front-line staff in the different phases of implementation. The goal is to establish, maintain, or strengthen monitoring and decision-making structures in all relevant Bank units, so that more experienced environmental and social staff will be assigned to higher-risk projects.

132. The successful implementation of the ESF is also dependent on the capacity of individual staff to think and react in new ways and on the commitment of individuals to function in redefined ways. Once the Board approves the ESF, a skills inventory and needs assessment will be conducted to identify change management activities to address culture and behavioral change among operations staff.

133. The change management approach will be supported by capacity building and communication and outreach. Periodic evaluations will test the uptake of new behaviors and the establishment of a new culture—values and behavior—for environmental and social risk management. The insights from these evaluations will be used to improve the change management approach.

B. Strengthening Client Capacity and Providing Sustained Support to Borrowers

134. **Borrowers' needs regarding capacity building vary according to existing capacity, institutional and legal frameworks, country contexts, and borrower expectations.** The Bank's approach to borrower capacity building, therefore, needs to be tailored and respond to short-term information needs as well as long-term institutional needs. The goal of building Borrowers' capacity is to support them carrying out their roles and responsibilities set out in the proposed ESF.

135. **The approach to capacity building would be tailored through a country dialogue process and address immediate training needs as well as long-term institutional needs.** The result would be a 2-pronged approach, consisting of focused, short-term interventions aimed at providing basic understanding of the ESF and a broader, long-term program.

136. **Long-term capacity building would support the New Steady State, providing sustained support to borrowers.** This aspect of the capacity-building program will be developed in dialogue with governments and, as appropriate, linked to the assessment of borrower frameworks carried out by the Bank to determine if all or part of a borrower's framework can be used for environmental and social risk management in projects. Capacity building will be carried out in several forms:

- a) project-by-project support, taking into account the project's environmental and social risks and impacts;
- b) support for the development/strengthening and maintenance of borrower frameworks;
- c) support through strategic regional capacity-building programs;
- d) training to support organizations that work with borrowers on project delivery;
- e) access to knowledge resources, such as tools, guidelines, a help-desk, and support for borrower communities of practice; and
- f) long-term Advisory Services.

137. **Capacity-building efforts will also target stakeholders who need to better understand the ESF because they are involved in the project cycle as affected parties or interested stakeholders, or are involved in monitoring project performance—for example, development partners, Indigenous Peoples, consultants, academics, and CSOs.** Groups that are directly involved in project implementation will be prioritized for capacity building.

C. Strengthening the Bank's Capacity and Systems

138. **OPCS, LEG, GENDR, and GSURR are now working to improve the coherence of the Bank's planning and programming approach for the implementation of the safeguard policies** and will continue irrespective of the Board's action on the proposed ESF. This effort aims to establish functionally integrated and effective environmental and social management systems for safeguards and the ESSs within the Bank. It will provide the building blocks for a structured

management system for environmental and social risks that will be applied when implementing the ESF.

139. **Developing improved IT platforms for environmental and social risk management is part of this effort.** These systems, some of which already exist, will help to better document the Bank's due diligence process, monitor project performance, provide data for quality assurance, support disclosure, analyze and report on portfolio-level issues and trends, and capture lessons from experience.

140. **Successful implementation of the ESF will require the establishment of a new professional accreditation system for environment and social specialists.** The current distinct accreditation systems for social and environmental safeguards will be integrated to create a system that better encourages synergies between the disciplines, is more rigorous in its entry and assessment criteria, and is more in line with similar international professional accreditation processes.

141. **The Bank will also strengthen the career framework for environmental and social risk management professionals to support the overall development of talent.** This recognition of environmental and social risk management as a viable career path for Bank staff will encourage individuals to seek a career in environmental and social risk management, increase the size of the talent pool, and provide opportunities for junior staff to gain the field experience they need to become seasoned senior professionals.

D. Strengthening Strategic Partnerships

142. **Management plans to use strategic partnerships to support multiple operational aspects of ESF implementation (e.g., skills and capacity building for Bank and borrowers).** The goal is to leverage the knowledge of Bank partners to deliver high-quality capacity-building and implementation support for borrowers. In addition, the Bank will seek to develop a common approach to the assessment and management of environmental and social risks and impacts of jointly financed projects, with key MDBs and bilateral partners.

143. **The Bank already has formal and informal partnerships with a number of organizations.** The implementation of the ESF will be accompanied by a strategic and systematic approach to establishing and managing these relationships with development partners, relevant multi-stakeholder initiatives, and other types of stakeholders.

E. Transition and Preparing for Launch

144. **Once approved by the Board, the ESF will run in parallel with the safeguards policies until all projects approved under the current safeguards regime have been completed.** Given the average length of Bank-financed projects, it is anticipated that both systems will run in parallel for seven years after the launch of the ESF.

145. **If the Board approves the ESF, Management will begin planning a timeline for the rollout of the ESF.** While preparing for launching the ESF, Management will assess the Bank's readiness to implement the new Framework and set an effectiveness date. Table 1 lists proposed readiness indicators; failure to meet Tier 1 indicators would result in a delay of the effectiveness date, while failure to meet a combination of Tier II indicators would do the same.

Table 1. Proposed readiness indicators

<p>Start of Phase I: Preparation Phase</p>	<p><i>Tier I indicators</i></p> <ul style="list-style-type: none"> • Multi-year budget for preparation and launch agreed and in place, for the relevant units • Terms of reference (ToR) ready for hiring: <ul style="list-style-type: none"> - consultants to support completion of guidance notes - firms and individual consultants to prepare training materials and train trainers - consultant to complete pilot and manuals for finalizing new Professional Environmental and Social Risk Management (ESRM) Accreditation System • ToRs and hiring plan ready for hiring staff to carry out capacity strengthening activities <p><i>Tier II Indicators</i></p> <ul style="list-style-type: none"> • Change Management Plan completed • Guidance for transition completed • Risk Management Plan in place • Plan for strengthening ESRM System in place • Plan for strengthening strategic partnerships completed within 2 months after Board approval
<p>Phase I: Six months prior to planned launch and effectiveness date</p>	<p><i>Tier I indicators</i></p> <ul style="list-style-type: none"> • Adequate multi-year budget for preparation and launch agreed and in place, funds released for use • ESF Implementation Unit set up and staffed • Capabilities in place to address new issues • New professional accreditation system pilot completed, manuals and personnel in place to begin rolling out new accreditation process • Pool of 60 trained trainers in place • Common Approach in place with two organizations (for example, AsDB and IDB) <p><i>Tier II indicators</i></p> <ul style="list-style-type: none"> • Change Management Plan in place • All existing electronic training material updated and operational and training materials developed and piloted for the following training programs • First e-learning module in place plus test for ESF basics training • Training programs scheduled for 20% of borrower countries • Training programs scheduled for 100% of GH and GG level staff • Staff training completed: <ul style="list-style-type: none"> - ESF orientation sessions for Bank staff completed in all Global

	<p>Practices</p> <ul style="list-style-type: none"> - E-learning module in place, tested, and piloted • Launch materials designed and production process planned • Approach for strengthening partnerships with key organizations completed • Common Approach negotiated and agreed with at least 2 external partners • New custom-built ESRM workflow management system designed and build contract awarded • Bank ESF documentation: <ul style="list-style-type: none"> - ESF Procedure and Directive for Bank staff completed and circulated, and training scheduled - The Bank's Environmental and Social Review Summary (ESRS) for project concept and appraisal stages revised to reflect ESF requirements - Environmental and Social Commitment Plan and all other templates developed and pilots completed - Guidance notes developed and publication date fixed - Bank's model legal agreements revised to reflect the ESF
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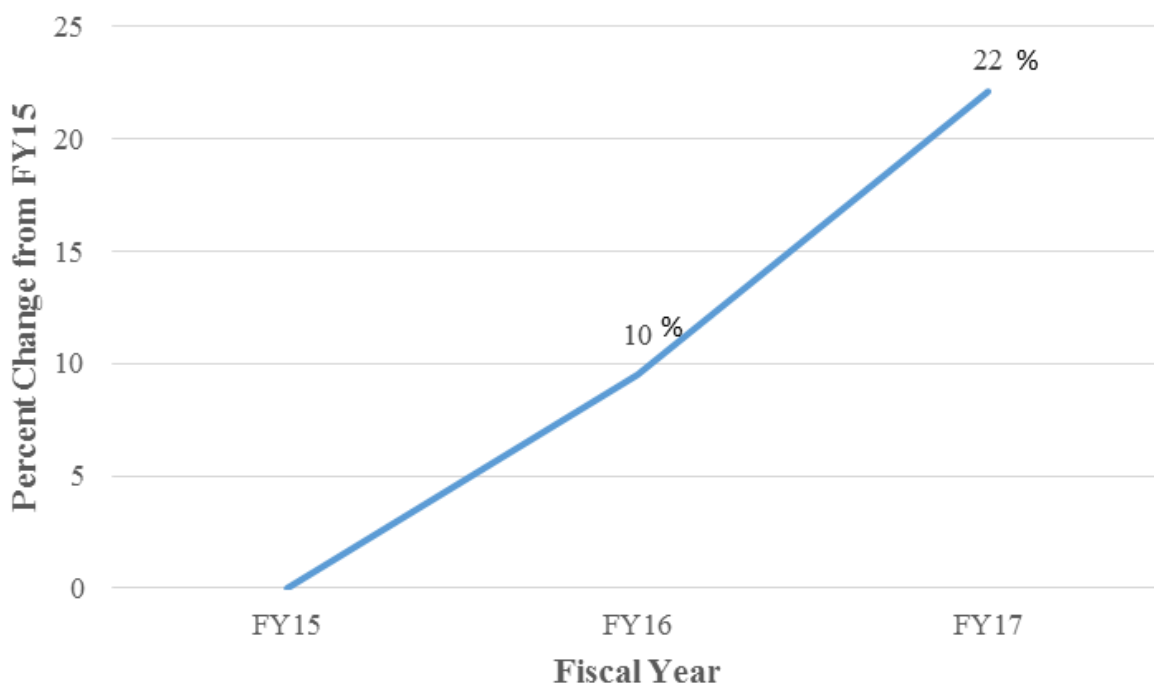
146. Projects under implementation or prepared with approved project Concept Notes before the effectiveness date will apply the safeguard policies throughout the project cycle. In specific cases, and if requested by the borrower, Management may decide that a project can use the ESF, as an “early adopter,” before the effectiveness date of the ESF.

147. While both systems run in parallel, additional support will be provided to Bank staff to ensure the continued timely delivery of environmental and social risk management services. The OPCS safeguards help-desk will support the implementation of both systems. Training will be provided on the current policies and the new Framework in parallel for at least three years after Board approval of the ESF. Safeguard Advisors and Regional Safeguard Coordinators will continue to support and mentor staff with regard to both policy sets, as needed.

F. Resourcing

148. Management commits to adequately funding the implementation of the ESF. Since 2014, the Bank has made systematic efforts to strengthen the environmental and social safeguards support for Bank operations. Accordingly, by FY17 the Bank increased the budget for social and environmental safeguards by 22% from the baseline budget of \$42M in FY15 to close resourcing gaps and support effective implementation of the safeguard policies (see Figure 5). The planned budget increase for FY2017 is about US\$5M above the FY16 budget, resulting in an estimated budget of US\$51M.

Figure 5. Budget increase for Safeguards FY15-17 (in per cent)



149. **It is expected that operational efficiencies for both Bank and borrowers would be achieved over time.** The proposed approach to assessing and managing environmental and social risk in IPF should lead to:

- a) resource savings due to increased long-term improved project outcomes (savings can be significant where issues are identified and managed early in the process);
- b) resource savings through sustainable improvements in the capacity of environmental and social specialists and borrowers; and
- c) better project implementation and better planning, and therefore more sustainable development outcomes through consistent requirements across all projects.

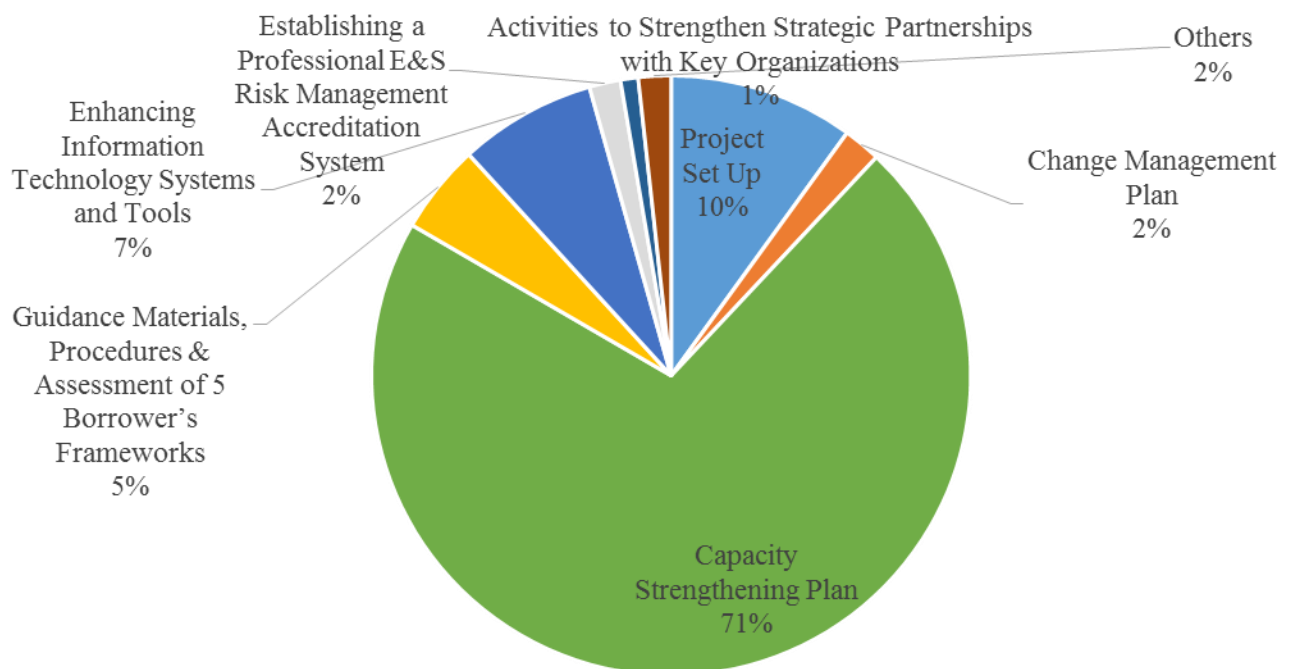
150. **While the adoption of the proposed ESF should, in the long term, create efficiencies for both Bank and borrowers, short-term initial investments would be needed to set up the Bank to implement the ESF and to support borrowers to do the same.** The implementation of the proposed ESF would require resources (a) to prepare, launch, and embed the Framework (one-time surge costs); (b) run a long-term borrower capacity-building program after the ESF has been established; and (c) finance the new operational steady state while it runs in parallel with the safeguard policies and after they have been retired (additional recurrent and incremental costs from FY18 onwards associated with implementing the substance of the ESF). The highest expenditure would be expected for FY18.

1. Surge cost for launching and embedding the ESF

151. **If approved by the Board, the proposed ESF would require significant preparation work by the Bank before it is launched.** It would require substantial procedural preparation, change management, enhanced guidance, capacity building, and support and outreach. If approved by the Board in early FY17, surge costs in the range of US\$5-9 million per year would be incurred in FY17-20 (with peak year expected in FY18) for the following activities (the expected composition of funding is illustrated in Figure 6):

- a) Project set-up, including creation of an ESF implementation unit;
- b) Implementation of change management activities;
- c) Capacity strengthening for borrowers and the Bank;
- d) Development of guidance materials, procedures, and tools for borrowers and Bank staff;
- e) Assessment of a preliminary set of borrower frameworks;
- f) Development of enhanced systems and processes within the Bank;
- g) Establishment of the new accreditation system;
- h) Activities for strengthening strategic partnerships with key organizations; and
- i) Other management activities (for instance, managing transition arrangements, monitoring and evaluation, corporate communications).

Figure 6. Estimated composition of surge costs



2. Long-term borrower capacity building

152. **Management envisages establishing a long-term borrower capacity-building program after the ESF is embedded.** Capacity building is already included in the surge funding, but additional resources would be required from FY21 to FY24. This program, described above, would potentially be supported through alternative sources of financing—borrowing, reimbursable advisory services, donor funding, and the country’s own resources—in addition to Bank budget. In addition, Management would seek to establish a multi-donor trust fund to support capacity building for Borrowers in fragile and post-conflict situations and for Borrowers with low capacity.

3. Resource implications for the new steady state

153. **Additional resources would be needed for the new steady state to cover, in particular, the fixed costs associated with hiring additional staff for new areas covered by the ESF, as well as variable and overhead costs required to deliver project support across the Bank’s IPF pipeline and portfolio.** Incremental costs would be associated with:

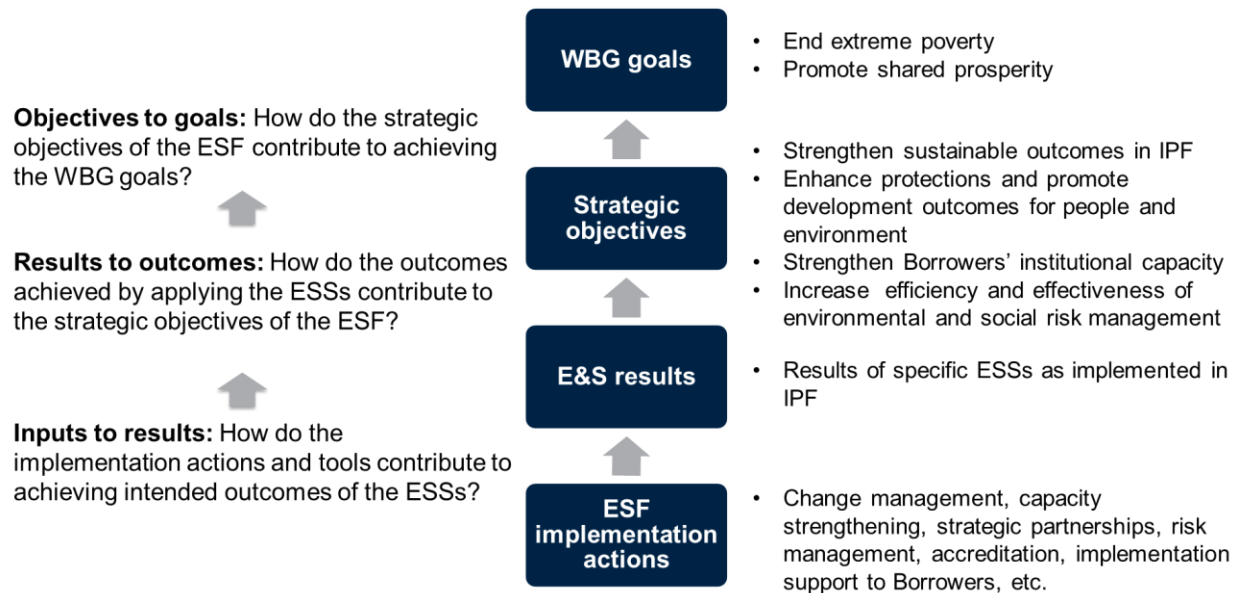
- a) Broader scope of practice due to new topic areas (labor, community health and safety, stakeholder engagement), new processes (ESCP, risk classification, social assessment), and the assessment of borrowers’ ES frameworks;
- b) A risk-driven approach to inform environmental and social decision-making throughout the entire project life cycle, enhanced risk-based supervision and implementation support, and quality assurance, including monitoring and appraisal of high-risk operations;
- c) Increased targeted hands-on support for situations of fragility, conflict, and violence and for operations in countries with low capacity;
- d) Systematic grievance redress support;
- e) Enhanced approach to knowledge and learning for Bank and borrowers; and
- f) More transformational projects with more significant and demanding social issues, requiring increased management support.

154. **The additional recurrent and incremental costs for the new operational steady state is expected to be 20-25% (US\$10-13M) over the FY17 baseline.** The increase would be absorbed gradually over a four-year period (FY18-21).

Monitoring and Evaluation

155. **The success of the ESF will be measured through a monitoring and evaluation program** (see Figure 7). The effectiveness of the Implementation approach will be measured by its ability to deliver the project outcomes expected from applying the ESF: (a) strengthen sustainable outcomes in IPF, (b) enhance protections and promote development outcomes for people and the environment, (c) strengthen borrowers’ institutional capacity to develop and sustain good environmental and social management practice, and (d) increase the efficiency and effectiveness of environmental and social risk management.

Figure 7. Approach to measuring the effectiveness of the ESF after launch



156. **Management will identify a set of performance metrics and indicators to assess the key components of the implementation approach with regard to their development impact.** Management will report annually to CODE on the results from monitoring and evaluation, starting one year after the ESF goes into effect, with a fuller review of implementation effectiveness after five years.

VI. CONCLUSION AND RECOMMENDATION

157. **It is imperative to modernize and update the World Bank's system of managing environmental and social risk.** With the proposed ESF, the Bank responds to new challenges and issues, improves the consistency and quality of environmental and social appraisal, and strengthens implementation support to borrowers. The proposed ESF will focus on outcomes that promote sustainable development, provide effective and efficient protections for people and the environment affected by Bank-financed projects, and respond to challenges in borrowing countries that have evolved since the safeguard policies were developed and that may develop in the next years. Most of all, it will be implementable and will, therefore, contribute significantly to realizing the World Bank Group's goals and to building borrower institutions. Many of the proposed changes are necessary to improve the Bank's performance regarding its current safeguard policies, irrespective of the launch of the ESF.

158. **The proposed ESF supports the Bank’s goals to end extreme poverty and promote shared prosperity in a sustainable manner in all partner countries.** It boosts protections for the environment and the poorest and most vulnerable people, drives sustainable development through capacity- and institution-building and country ownership, and enhances the efficiency of appraising environmental and social risks and impacts for both the borrower and the Bank. Thus, the ESF and the measures that will be put in place to implement it will, together, promote better development outcomes in Bank-financed projects.

159. **Better development outcomes would come from the wider coverage and effective management of social and environmental risks and an increased emphasis on sustainability and responsible use of resources.** The proposed Standards help to increase the access of poor people—especially of the disadvantaged or vulnerable—to development benefits. The proposed requirements better protect livelihoods, contribute to better living conditions, and foster the resilience of communities.

160. **The proposed ESF is the outcome of an extensive stakeholder engagement effort, possibly the largest any MDB has ever undertaken.** Listening to a very large group of stakeholders means listening to many different and often mutually exclusive views. With the third draft ESF the Bank has achieved a balance between protections and implementability. The ESF is a truly multilateral framework; not all stakeholders will find responses to all of their issues. The World Bank is a community of 189 countries that are committed to bringing about better lives for the world’s population and protecting the planet and its biodiversity. Management recognizes that the review and update of the World Bank’s safeguard policies generates strong views among shareholders and stakeholders on a wide array of issues. While Management recognizes, respects, and appreciates all viewpoints expressed during consultations, it is Management’s responsibility to present a proposal that balances differing views and interests, aspirations, and development practice.

161. **Management seeks approval of the Board of Executive Directors of the proposed content of the draft Vision, Policy, and Standards.** If the Board `es this proposal, Management would proceed to finalize and issue the Environmental and Social Procedure and Bank Directive Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups to complete the new Environmental and Social Framework. The Framework would replace OP/BP 4.00, OP/BP 4.01, OP/BP 4.04, OP 4.09, OP/BP 4.10, OP/BP 4.11, OP/BP 4.12, OP/BP 4.36, and OP/BP 4.37. In finalizing the ESF, Management would also develop Guidance to support the implementation of the new Framework.

162. Management will disclose the draft ESF to the public for information upon submission of this paper to the Board of Executive Directors.

ANNEX 1. THE PROPOSED ESF'S CONTRIBUTION TO ACHIEVING THE SDGS

Sustainable Development Goal¹	ESF contribution²
SDG 1: End poverty in all its forms everywhere	<ul style="list-style-type: none"> • Promotes equal rights to resources and services through the proposed non-discrimination principle (ESS1 and Policy) • Promotes policy harmonization with other development partners, which can enhance development cooperation
SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture	<ul style="list-style-type: none"> • Promotes sustainable and resilient agricultural practices that increase productivity and production, help maintain ecosystems, and strengthen adaptation to climate change through requirements for assessment of broader environmental and social risks and impacts (ESS1) and the sustainable management of living natural resources (ESS6)
SDG 3: Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> • Promotes clean air and water through proposed requirements for pollution prevention and management (ESS3) • Promotes the responsible management of hazardous materials (ESS3, ESS4)
SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities	<ul style="list-style-type: none"> • Promotes equal and inclusive access of disadvantaged or vulnerable groups to development benefits through the proposed non-discrimination principle (ESS1 and Policy) • Promotes universal access, including for disadvantaged or vulnerable groups (ESS4) • Promotes inclusive engagement of disadvantaged or vulnerable groups through proposed stakeholder engagement requirements (ESS10)
SDG 5: Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> • Promotes inclusion and equality for women and girls and their access to resources and services through the proposed non-discrimination principle (ESS1 and Policy)
SDG 6: Ensure availability and sustainable management of water and sanitation for all	<ul style="list-style-type: none"> • Promotes water-use efficiency, water resources management, and better water quality through proposed requirements for resource efficiency and pollution prevention and management (ESS3) and community health and safety (ESS4)

¹ See <https://sustainabledevelopment.un.org>

² In relation to specific targets identified by the United Nations for each SDG.

	<ul style="list-style-type: none"> Promotes the protection of water-related ecosystems through proposed requirements for protecting and conserving marine and other aquatic ecosystems (ESS6)
SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> Promotes energy efficiency through proposed requirements for resource efficiency (ESS3)
SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> Promotes global resource efficiency in consumption and production through proposed requirements for resource efficiency (ESS3) Promotes the decoupling of economic growth from environmental degradation through proposed requirements for resource efficiency (ESS3) and for the conservation of biodiversity and habitats (ESS6) Promotes the eradication of forced labor and the prohibition and elimination of child labor through proposed labor requirements (ESS2) Promotes the protection of labor rights and safe and secure working environments through proposed labor requirements (ESS2)
SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> Promotes the development of reliable, sustainable, and resilient infrastructure through proposed requirements for infrastructure and equipment design and safety (ESS4)
SDG 10: Reduce inequality within and among countries	<ul style="list-style-type: none"> Promotes equal opportunity and the inclusion of all through the proposed non-discrimination principle (ESS1 and Policy)
SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> Promotes efforts to protect the world's cultural heritage through proposed requirements on tangible and intangible cultural heritage (ESS8) Promotes an increase in the number of human settlements adopting plans towards inclusion, resource efficiency, and mitigation of and adaptation to climate change through relevant proposed requirements (ESS1, ESS3, ESS4, and Policy)
SDG 12: Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> Promotes the sustainable management and efficient use of natural resources through proposed requirements for resource efficiency (ESS3) and the sustainable management of living natural resources (ESS6) Promotes the environmentally sound management of chemicals and wastes through proposed requirements for the management of hazardous and non-hazardous wastes, chemicals, and hazardous materials (ESS3, ESS4)

SDG 13: Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> Promotes the mitigation of climate change impacts through proposed requirements to assess and mitigate climate impacts and impacts on ecosystem services (ESS1, Policy, ESS4), manage long- and short-term climate pollutants (ESS3), consider climate change in the design and construction of infrastructure (ESS4), and assist communities in their ability to handle extreme weather events and natural disasters (ESS4)
SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development	<ul style="list-style-type: none"> Promotes the sustainable management and protection of marine and coastal ecosystems through proposed requirements for protecting and conserving marine and other aquatic ecosystems (ESS6)
SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<ul style="list-style-type: none"> Promotes the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services through proposed requirements for protecting and conserving terrestrial and aquatic ecosystems and habitats (ESS6) and assessing and mitigating impacts on ecosystem services (ESS4) Promotes the sustainable management of forests and reduced degradation of natural habitats through proposed requirements for the conservation of biodiversity and habitats, including forests (ESS6) Promotes measures to prevent the introduction and mitigate the impact of invasive alien species (ESS6)
SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> Promotes public access to information through proposed requirements for stakeholder engagement and disclosure (ESS1, ESS10) Promotes non-discriminatory policies for sustainable development through the proposed non-discrimination principle (ESS1)
SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development	<ul style="list-style-type: none"> Promotes and enhances support to capacity building in developing countries to support national plans to implement measures in support of the SDGs

ANNEX 2. THE CURRENT SAFEGUARD POLICIES

1. **The World Bank’s safeguard policies embody the institution’s core values.** They form the cornerstone of the World Bank’s efforts to protect people and the environment and ensure sustainable development. They have served the World Bank, its borrowers, and the development community well over the past several decades and have provided an international standard for managing environmental and social project risks. To meet borrowers’ new and varied needs in a world with new social and environmental challenges, the World Bank launched an extensive review and update of these policies in 2012.
2. **Assessing and managing the negative environmental and social impacts of World Bank-financed projects has been a core concern of the institution for more than 40 years.** Beginning in the 1970s, the World Bank steadily increased its attention to the environmental and social risks and opportunities associated with the development process. In 1984, the World Bank issued an Operational Manual Statement (OMS) on Environmental Aspects of World Bank Work, outlining the World Bank’s policies and procedures relating to projects, technical assistance, and other aspects of its work that could have environmental implications. The term “environmental” was interpreted widely to include both natural and social conditions and the well-being of current and future generations.
3. **The World Bank has developed an extensive body of provisions to assess and mitigate environmental and social risks in its operations.** Following the World Bank’s reorganization in 1987, Operational Directives (ODs) gradually replaced the OMSs, frequently incorporating policy previously contained in the OMSs¹ and also setting out new policy. Environmental assessment was initially addressed in OD 4.00, Annex A,² which was later replaced by OD 4.01, *Environmental Assessment*. In 1992, issues related to the comprehensiveness of the ODs and a desire on the part of World Bank Management to streamline and clarify practices and accountabilities led to a decision to gradually replace ODs by Operational Policies (OPs) and Bank Procedures (BPs), whose content would be binding on borrowers and World Bank staff. Additional environmental and social policies were subsequently added to address specific environmental and social issues in Bank operations.
4. **The current suite of safeguard policies was designed to help the World Bank address environmental and social issues arising from projects that finance goods, works, and services in a broad range of sectors.** They also apply to technical assistance activities supported by the World Bank and to the recipient-executed activities supported by trust funds it administers. In 1997, the World Bank grouped 10 Operational Policies as “safeguard policies”—6 environmental, 2 social, and 2 legal policies³—to support compliance during project preparation and implementation.

¹ Before the World Bank’s 1984 reorganization, the operational policies were contained mainly in OMSs and Operational Policy Notes, which were both issued by the Office of the Senior Vice President, Operations, under the authority of the President.

² OD 4.00, Annex A: Environmental Assessment (1989).

³ OP 4.01, *Environmental Assessment*; OP 4.04, *Natural Habitats*; OP 4.09, *Pest Management*; OP 4.10, *Indigenous Peoples*; OP 4.11, *Physical Cultural Resources*; OP 4.12, *Involuntary Resettlement*; OP 4.36, *Forests*; OP 4.37, *Safety of Dams*; OP 7.50, *Projects on International Waterways*; and OP 7.60, *Projects in Disputed Territories*. OPs 7.50 and

5. **A 2010 evaluation conducted by the World Bank’s Independent Evaluation Group (IEG) more than 20 years after the requirement for environmental assessment was first introduced showed that the safeguard policies have been effective in avoiding or mitigating negative impacts.** The IEG also identified a need to adapt the safeguard policies to reflect the changing context in which the World Bank operates, including a rapidly changing business environment and new lending modalities, as well as evolving best practices and borrower needs.⁴ IEG recommended a stronger focus on using the safeguard policies to support environmentally and socially sustainable development; assess a wider range of potential social risks and impacts; improve supervision; and support more efficient and effective approaches to monitoring, evaluation, and completion reporting. Following the IEG report, Management committed to undertake a comprehensive update and consolidation of the World Bank’s safeguard policies.
6. **The proposed Environmental and Social Framework that has been developed during this process provides a more coherent and consistent set of requirements.** The Framework clearly distinguishes World Bank and borrower obligations, addresses gaps and inconsistencies, and clearly delineates values, policy statements, borrower requirements, and procedural aspects.
7. **Environmental and social requirements need to be tailored to the nature of specific financial instruments.** Therefore, approaches to addressing environmental and social considerations related to development policy and Program-for-Results operations are embedded in the operational policies governing these instruments (OP/BP 8.60 and OP/BP 9.00) and are not covered by the proposed Framework. Policy-level instruments require a different approach to managing environmental and social risk. The World Bank has conducted retrospectives of both the development policy and Program-for-Results instruments, including their environmental and social aspects.

7.60 are not part of the safeguard update. The review also does not include OP 4.03, *World Bank Performance Standards for Private Sector Activities*.

⁴ *Safeguards and Sustainability in a Changing World: An Independent Evaluation of World Bank Group Experience*, <http://go.worldbank.org/ZA4YFV9OLO>

ANNEX 3. CASE STUDIES ROAD-TESTED DURING PHASE 3 CONSULTATIONS

Country in which consultation was held	Case Study presented
Afghanistan	National Solidarity Program III
	Trans-Hindukush Road Connectivity Project
Bangladesh	Integrated Agriculture Productivity Project
	Investment Promotion and Financing Facility Project
Belgium	Lebanon Water Supply Augmentation Project
	Bangladesh Investment Promotion and Financing Facility Project
Brazil	Projeto de Desenvolvimento Regional
Cameroon	Agriculture Investment and Market Development Project
China	Yunnan Urban Environmental Project
	Kunming Urban Rail Project
Egypt	Power Generation Development (Giza North)
	Integrated Sanitation and Sewerage Infrastructure II
Ethiopia	Ethiopia Water Supply Hygiene and Sanitation Project
	Ethiopia Expressway Development Support Project
Honduras	Programa de Competitividad Rural - COMRURAL
India	Eastern Dedicated Freight Corridor-II
	Tamil Nadu Sustainable Urban Development Project
	Punjab State Road Sector Project
Indonesia	Western Indonesia Road Improvement Project (WINRIP)
	General example of large infrastructure project in Indonesia
Jordan & Iraq	Jordan Second Education Reform for Knowledge Economy II
	Iraq Transport Corridors Project
Kenya	Kenya Northern Corridor Transport Improvement Project
	Kenya Informal Settlements Improvement Programme
	Mozambique Greater Maputo Water Supply Expansion Project
Lebanon	Lebanon Water Supply Augmentation Project
	Lebanon Municipal Services Emergency Project
Madagascar	Projet de Pôle de Croissance Intégrée II
	Projet d'Urgence de Préservation des Infrastructures et Réduction de la Vulnérabilité
Mexico	Proyecto sobre Bosques y Cambio Climático
Morocco	Social and Integrated Agriculture Project (ASIMA)
	Noor Ouarzazate Concentrated Solar Power Plant Project
Niger	Niger Disaster Risk Management and Urban Development Project
Nigeria	Commercial Agriculture Development Project
	Lagos Urban Transport Project 2
Peru	Proyecto Línea 2 Metro de Lima
Rwanda	Rwanda Land Husbandry, Water Harvesting and Hillside Irrigation Project
	Rwanda Feeder Roads Development Project
South Africa	Eskom Investment Support Project
St. Lucia	Disaster Vulnerability Reduction Project
Tajikistan	Tajikistan Second Public Employment for Sustainable Agriculture and Water Resources Management Project

Tanzania	Tanzania Second Central Corridors Project and Additional Financing
	Burundi Infrastructure Emergency Resilience Project
Turkey	Turkey Municipal Services Project
	Turkey Private Sector Renewable Energy and Energy Efficiency Project
USA	Lebanon Water Supply Augmentation Project
	Bangladesh Investment Promotion and Financing Facility Project
Uzbekistan	Dushanbe Second Water Supply Project
Vietnam	Mekong Delta Region Urban Upgrading Project
	Haiphong Urban Transport Project

ANNEX 4. COMPARISON OF MDB PROVISIONS ON KEY CROSS-CUTTING SAFEGUARDS ISSUES

Bank proposal	IFC	AIIB	AsDB	AfDB	EBRD
Indigenous Peoples/ FPIC					
<p>Titled “Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities,” applies when Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities are present in or have a collective attachment to the project area; in specified circumstances requires Free, Prior, and Informed Consent (FPIC), which refers to the collective support of affected Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities for the project activities that affect them, reached</p>	<p>Dedicated standard on “Indigenous Peoples” requires FPIC in specified circumstances.</p>	<p>Dedicated standard on “Indigenous Peoples” requires free, prior, and informed consultation (FPICon), defined as “evidence of broad community support of these Indigenous Peoples on the outcome of the negotiations.” Allows use of FPIC in those countries where it is the standard.</p>	<p>Requires consent of IPs for specified circumstances, which refers to broad community support.</p>	<p>No dedicated standard and no requirement for FPIC. Indigenous Peoples may be included in risk assessment in certain higher-risk cases, if they are considered to be a “vulnerable group.”</p> <p>AfDB notes that there should be an effort to better understand the meaning of the term Indigenous Peoples in the context of Africa.</p>	<p>Requires FPIC in specified circumstances: “consent refers to the process whereby the affected community of Indigenous Peoples arrive at a decision, in accordance with their cultural traditions, customs and practices.”</p>

through a culturally appropriate process. It may exist even if some individuals or groups object to such project activities.					
Human rights					
Proposed language in non-mandatory Vision statement: “the World Bank’s activities support the realization of human rights expressed in the Universal Declaration of Human Rights. Through the projects it finances, and in a manner consistent with its Articles of Agreement (especially Article III, Section 5 (b) and IV, Section 10), the World Bank seeks to avoid adverse impacts and will continue to support its member countries as they strive to progressively achieve their human rights commitments.”	Language in policy and performance standard: “IFC recognizes the responsibility of business to respect human rights, independently of the state duties to respect, protect, and fulfill human rights. This responsibility means to avoid infringing on the human rights of others and to address adverse human rights impacts business may cause or contribute to. [...] Each of the Performance Standards has elements related to human rights dimensions that businesses may face in the course of their operations.”	Language on human rights mirrors the language of the Bank’s first draft ESF: “...seeks, through the Projects it finances, to be supportive of these human rights and to encourage respect for them, in a manner consistent with its Articles of Agreement.”	Only one reference to human rights in its safeguards, in relation to Indigenous Peoples. The language is similar to that in the Bank’s OP 4.10, <i>Indigenous Peoples</i> . There is no general reference to human rights.	Language in Preamble: “...views economic and social rights as an integral part of human rights, and accordingly affirms that it respects the principles and values of human rights as set out in the UN Charter and the African Charter of Human and Peoples’ Rights. [...] The AfDB encourages member countries to observe international human rights norms, standards, and best practices on the basis of their commitments made under the International Human Rights Covenants and the African Charter of Human and Peoples’ Rights.”	The mandate of the EBRD contains an explicit commitment to human rights. EBRD’s policy states: “The EBRD recognises the responsibility of clients and their business activities to respect human rights and that this is an integral aspect of environmental and social sustainability. This responsibility involves respecting human rights, avoiding infringement on the human rights of others, and addressing adverse human rights impacts that their business activities may cause, or to which they may contribute” (para 9).

Non-discrimination					
ESF introduces non-discrimination principle. A mandatory Directive for Bank staff lists a number of examples of possible disadvantaged or vulnerable groups, including persons who may be discriminated against on the basis of their sexual orientation and gender identity.	Lists sexual orientation as an example of possible grounds for discrimination.	Requires addressing nondiscrimination, but does not include LGBTI as example.	Lists examples of vulnerable groups, but does not include LGBTI.	Lists sexual orientation as an examples for vulnerability.	Lists sexual orientation as an example of possible grounds for discrimination.
Labor					
Covers direct workers, third parties, projects involving community labor, and workers engaged by primary suppliers. Builds on existing borrower commitments to international labor laws and conventions and Includes requirements related to non-discrimination, child labor, forced labor, freedom of association, and the right to collective bargaining.	Covers broadly the same types of workers as the proposed Bank standard, except for the community labor. Requirements broadly equivalent to proposed Bank standard. IFC's Performance Standards apply only to the private sector.	Includes reference to consistency with national law with regard to freedom of association, right to collective bargaining, and access to grievance mechanisms. Coverage of workers is narrower than Bank proposal.	Covers occupational health and safety; no reference to core labor standards, but exclusion list includes production or activities involving forced and child labor.	Broadly equivalent to Bank proposal. Coverage of workers not clearly specified.	Broadly equivalent to Bank proposal. Refers to fundamental principles and rights of workers and references core labor standards. While EBRD's Performance Requirements apply to both the private and public sectors, most EBRD clients are private sector.

Climate change and GHG emissions					
Acknowledges the need to be mindful of the world's diminishing resources and encourages improvements in resource efficiency. Provides support to certain borrowers and projects for estimating GHG emissions and requires the consideration of options to reduce them.	Includes provision that for "projects that are expected to or currently produce more than 25,000 tons of CO ₂ -equivalent annually, the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary."	References Paris Agreement, no numerical threshold for GHG emission accounting, commitment to finance GHG emission measurement upon client's request.	Requirements for GHG emission accounting in "projects that are expected to or currently produce significant quantities of greenhouse gases," footnote specifies 100,000 CO ₂ -equivalent annually.	Requirement for GHG emission accounting, but no threshold.	Includes threshold of 25,000 tons of CO ₂ -equivalent annually for GHG emission measurement.
Use of borrower frameworks					
Proposal to support the use of the borrower's existing environmental and social framework for projects, if the borrower is likely to be able to address the risks and impacts of the project and the project is likely to achieve objectives that are materially consistent with the proposed standards.	N/A (private sector clients)	Requirement similar to Bank's: If the client requests, AIIB may decide to use all or part of the client's environmental and social management system if they determine "that the relevant parts of this system are adequate" to address risks "in a manner materially consistent with the objectives" of the framework.	Specifically authorizes use of country or borrower systems through equivalence and acceptability check. Systematically engaged in technical assistance to support strengthening of country systems.	Intends the process of assessing project impacts to strengthen country risk-management systems. To this end, it requires borrowers to conduct the risk assessment in manner "that complies with existing country systems for assessing and managing environmental risk in addition to the AfDB's requirements."	N/A

Disclosure					
Requirement for borrower to ensure that sufficient information about risks and impacts is made available in a timely manner, in an accessible place, and in a form and language understandable to project-affected parties and other interested parties prior to project appraisal; if the Bank intends to disclose project-related documents after Board approval, the Bank will provide, where possible, a rationale for post-Board approval and details on these documents in the PAD	Core documents to be disclosed (no timeframe specified).	Draft core documents for sovereign-backed loans to be disclosed prior to or early during appraisal (no timeframe specified), other documentation to be disclosed “in a timely manner.”	Requirement to disclose draft environmental impact assessment reports for Category A projects 120 days before Board consideration; other draft documents before project appraisal; final documents upon receipt; and resettlement and Indigenous Peoples monitoring reports during project implementation upon receipt.	Disclosure early in project preparation; for Category 1 projects requirement to disclose final documents for public sector projects 120 days before Board consideration and for private sector projects 60 days before Board consideration. For all Category 2 projects, 30 days disclosure required. Financial intermediaries always treated like Category 1 private sector.	Core documents to be disclosed in a manner that is accessible and culturally appropriate. Disclosure for Category A public sector projects 120 days before Board consideration and 60 days for private sector projects.

Note: IFC: International Finance Corporation; AIIB: Asian Infrastructure Investment Bank; AsDB: Asian Development Bank; AfDB: African Development Bank; EBRD: European Bank for Reconstruction and Development