

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

**ENVIRONMENTAL AND SOCIAL FRAMEWORK  
(PROPOSED SECOND DRAFT)  
- CONSULTATION PAPER -**

**July 1, 2015**

## ABBREVIATIONS AND ACRONYMS

APESS	Accreditation Panel for Environmental and Social Standards
BP	Bank Procedures
CFS	Committee on World Food Security
CODE	Committee on Development Effectiveness
DPF	Development Policy Financing
ECR	External and Corporate Relations Department
EHSG	Environmental, Health and Safety Guidelines
ENR	Environment and Natural Resources Global Practice
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESP	Environmental and Social Policy
ESPP	Environmental and Social Procedure
ESS	Environmental and Social Standards
FAO	Food and Agriculture Organization
FCS	Fragile and conflict-affected situations
FI	Financial Intermediary
FPIC	Free, Prior and Informed Consent
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institutions
ILO	International Labor Organization
IUCN	International Union for Conservation of Nature
LEG	Legal Department
MDB	Multilateral Development Bank
MDTF	Multi-Donor Trust Fund
OD	Operational Directive
OESRC	Operations Environmental and Social Review Committee

OMS	Operational Manual Statement
OP	Operational Policy
OPCS	Operations Policy and Country Services
OPN	Operational Policy Notes
P&PF	Policy and Procedures Framework
PAD	Project Appraisal Document
PforR	Program for Results
SOGIE	Sexual orientation, gender identity and expression
SORT	Systematic Operations Risk-Rating Tool
SURR	Social, Urban, Rural and Resilience Global Practice

**REVIEW AND UPDATE OF THE WORLD BANK’S SAFEGUARD POLICIES:  
PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK (CONSULTATION PAPER)**

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## EXECUTIVE SUMMARY

### Overview and Background

- 1. The World Bank's safeguard policies are the cornerstone of its efforts to protect people and the environment and to achieve its goals to end extreme poverty and promote shared prosperity in a sustainable manner in all partner countries.** The World Bank is updating the institution's safeguard policies and proposing a second draft of a new Environmental and Social Framework for Investment Project Financing (ESF, see Attachment 1). This second draft of the ESF enhances protections for the poor and the environment, supports inclusive access to development benefits, strengthens the World Bank's partnership with borrowing countries, and strengthens the World Bank's leadership in providing safeguards for people and the environment. The proposed Framework aims to be the most advanced of its kind within the international financial community.
- 2. While the current safeguard policies have served the World Bank, its Borrowers and the development community well for more than two decades, new and varied development demands and challenges have arisen over time.** The World Bank's awareness of environmental and social issues and expectations have evolved, and this review and update aims to reflect this in a modern and fit for purpose framework. The World Bank represents a community of 188 countries with vastly differing characteristics and perspectives. Civil society stakeholders have expressed a wide range of views on how the World Bank should move forward in the safeguards review. Given the extensive diversity of views on what the Framework should include, this Framework reflects a strengthened yet practical approach to the management of social and environmental risks associated with investment projects.
- 3. The proposed Framework is better for Borrowers, people and the environment.** The proposed Framework is fit for purpose and will help achieve efficiency gains in project processing over time and provides more details on Borrower requirements. It addresses a broader range of environmental and social issues, thus affording greater protection to people and the environment.
- 4. The proposed Framework uses a risk-based, outcomes-focused approach to environmental and social risks and impacts, with succinct and clear provisions for efficient application.** While recognizing the constraints of Borrowers and the realities of projects on the ground, the proposed Framework also addresses new and future challenges to sustainable development. This paper (i) introduces the context for the proposed Framework; (ii) summarizes the review and update process; (iii) provides an overview of its structure and content, highlighting the main features and improvements; and (iv) presents the revised draft of the proposed Framework to the Board of Executive Directors' Committee on Development Effectiveness (CODE) for discussion and endorsement as the basis for Phase 3 consultations.
- 5. The review and update of the World Bank's environmental and social safeguard policies was launched in 2012 with the aim of strengthening their effectiveness and enhancing the development outcomes of World Bank investment projects.** Following the presentation to CODE of the Approach Paper in 2012, the World Bank carried out consultations with shareholders, internal stakeholders and a wide range of external participants to seek inputs on opportunities, emerging directions and options to inform the drafting of the proposed Framework. These

consultations and the review culminated in the preparation of the first draft of the Environmental and Social Framework for CODE discussion in July 2014. Feedback from extensive global consultations on the draft between August 2014 and March 2015 has been reflected in a revised draft of the framework, which was presented to CODE for further discussion and endorsement for Phase 3 consultations.

## **Proposed Environmental and Social Framework**

6. **The proposed Framework deepens the World Bank’s commitment to sustainable development outcomes.** It preserves and builds on the existing core principles, while improving the clarity and applicability of the policies and strengthening the World Bank’s partnership with Borrowers at the project level. The proposed Framework makes a clearer distinction between elements of policy, principles and procedures and eliminates duplication and overlap. It is informed by international treaties and conventions, the World Bank’s experience implementing the existing safeguard policies, and the environmental and social frameworks of other multilateral development banks (MDBs).

7. **Ten Environmental and Social Standards (ESSs) are proposed for projects, providing comprehensive coverage of the broad range of issues raised by shareholders, stakeholders and World Bank staff during the extensive stakeholder engagement in the first and second phases of the review and update process.** These establish the Borrower’s responsibilities to provide adequate protection for people and the environment in World Bank supported under OP.10.00 (Investment Project Financing). The ESSs are harmonized to a large extent with those of other MDBs and especially with IFC and MIGA. The proposed ESSs cover the Assessment and Management of Environmental and Social Risks and Impacts (ESS1); Labor and Working Conditions (ESS2); Resource Efficiency and Pollution Prevention and Management (ESS3); Community Health and Safety (ESS4); Land Acquisition, Restrictions on Land Use and Involuntary Resettlement (ESS5); Biodiversity Conservation and Sustainable Management of Living Natural Resources (ESS6); Indigenous Peoples (ESS7); Cultural Heritage (ESS8); Financial Intermediaries (ESS9); and Information Disclosure and Stakeholder Engagement (ESS10).

- ***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 projects in a risk-driven 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 builds on the existing OP/BP4.01 (Environmental Assessment) and, together with ESS10, applies to all projects. It strengthens provisions for social assessment and introduces the concept of ecosystem services. It provides clearer project definitions for Borrowers and introduces a clear and actionable risk management system.
- ***ESS2: Labor and Working Conditions*** marks the first time the World Bank has a standard on labor and working conditions. Therefore, extensive consultations took place with the International Labor Organization (ILO). To inform the drafting of the standard, a comprehensive review of the Declaration on the Fundamental Principles and Rights at Work, as well as the ILO eight core labor conventions took place. As a result, the standard reflects the fundamental principles and rights at work and addresses child and forced labor,

freedom of association and collective bargaining. It also includes requirements for the provision of a grievance mechanism for project workers. Capturing the relevant parts of the Environmental, Health and Safety Guidelines (EHS), it includes requirements relating to Occupational Health and Safety.

- **ESS3: Resource Efficiency and Pollution Prevention and Management** incorporates key provisions of OP4.09 (Pest Management) and includes the efficient management of energy, water, raw materials and other resources. It also requires Borrowers to estimate project-related greenhouse gas (GHG) emissions and to consider options to reduce project-related pollutants.
- **ESS4: Community Health and Safety** focuses on the risks and impacts of projects on communities. This ESS incorporates key provisions of OP/BP4.37 (Safety of Dams), and addresses the design and safety aspects of infrastructure, equipment, services, traffic and hazardous materials. It includes requirements on the use of security personnel.
- **ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement** maintains key provisions of OP/BP4.12 (Involuntary Resettlement), including the key principles of compensation at replacement cost and assistance for livelihood restoration or improvement. Explicit recognition is given to resettlement as a development opportunity and to the importance of exploring ways for affected people to share in the benefits of the project. The standard's coverage extends to all categories of affected people, including those without legal rights to the land they occupy.
- **ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources** incorporates key provisions of OP/BP4.04 (Natural Habitats) and OP/BP4.36 (Forests) and requires the Borrower to assess and take measures to mitigate the impacts of the project on biodiversity, including ecosystem services, loss of habitat, degradation and invasive alien species. It also establishes principles to govern the sustainable use of resources, such as forests and fisheries.
- **ESS7: Indigenous Peoples** maintains key provisions of OP/BP4.10 (Indigenous Peoples) and further strengthens World Bank protections for Indigenous Peoples by clarifying key definitions and introducing Free, Prior and Informed Consent (FPIC) in specified circumstances. It recognizes pastoralism as a possible basis for indigeneity and includes provisions for groups on voluntary isolation.
- **ESS8: Cultural Heritage** reaffirms the objectives of the current OP/BP4.11 (Physical Cultural Resources), requires projects to adopt chance find procedure together with other procedures for the protection of cultural heritage, and provides for consultation with affected communities. It broadens the definition of cultural heritage to include both tangible and intangible cultural heritage.
- **ESS9: Financial Intermediaries** requires Financial Intermediaries (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.
- **ESS10: Information Disclosure and Stakeholder Engagement** consolidates and improves provisions on the World Bank's engagement with stakeholders, including meaningful consultation, access to information and grievance redress. It provides for ongoing dialogue between Borrower and stakeholders, including project-affected parties throughout the life of a project.

8. **The proposed Environmental and Social Framework will replace the current safeguard policies.** It provides a coherent and consistent set of requirements that clearly distinguishes World Bank and Borrower obligations in a comprehensive manner, addressing gaps, inconsistencies and contradictions of the current suite of safeguard policies, which had developed over the years in response to evolving operational priorities. The different levels of the policy hierarchy avoid the co-mingling of values, policy statements, Borrower requirements and detailed procedural aspects that characterize the current safeguard policies. Once adopted, it is intended to come into effect in CY16 and will replace the following Operational Policies and Bank Procedures: OP/BP4.00, OP/BP4.01, OP/BP4.04, OP4.09, OP/BP4.10, OP/BP4.11, OP/BP4.12, OP/BP4.36 and OP/BP4.37.

9. **The World Bank recognizes that the achievement of sustainable development is dependent on effective collaboration with all individuals with a stake in the development outcome of a project.** The World Bank therefore commits to open dialogue, enhanced public consultation (including during project implementation), timely and full access to information, and responsive grievance mechanisms.

10. **This paper presents CODE with a second draft of a proposed Environmental and Social Framework for Investment Project Financing.** Following discussion and endorsement by CODE, Management will launch a third and final phase of consultations to seek input on the draft. The feedback will be used for final revisions to the Framework, which is expected to be presented to Executive Directors for approval. Implementation of the new Framework is anticipated to start in 2016.



## I. INTRODUCTION

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**<sup>1</sup>. To achieve these goals, it is critical to support the sustainable use of resources, ensure social inclusion, and limit the economic burdens on future generations. To this end, the World Bank is updating the institution’s safeguard policies through developing a new Environment and Social Framework for Investment Project Financing (“ESF” or “the Framework,” see Attachment 1). This review is closely followed by member countries, international organizations, other MDBs, civil society, and other stakeholders.

2. **This paper proposes an updated, modernized, and fit for purpose approach to assessing and managing environmental and social risk in World Bank Investment Project Financing for discussion and endorsement by the Committee on Development Effectiveness (CODE).** This second draft of the ESF has evolved significantly since the first draft. It provides enhanced protections for people and the environment, supports inclusive access to development benefits, strengthens the World Bank’s partnership with borrowing countries, and strengthens the World Bank’s leadership in providing safeguards for people and the environment. The proposed Framework aims to be the most advanced environmental and social framework of its kind within the international financial community. It sets a new global benchmark through:

- Clearer and stronger safeguards with strong new principles of non-discrimination, including provisions addressing children; disability; gender; age; and sexual orientation, gender identity and expression (SOGIE);
- Stronger assessments of social and environmental risks and impacts.
- Focusing resources on projects with higher risk;
- Fit for purpose approach to managing environmental and social risk given new development challenges and changing Borrower needs;
- Detailed labor provisions to protect workers, including a right to freedom of association and collective bargaining, grievance mechanisms, non-discrimination, occupational health and safety, and explicit prohibition of child and forced labor;
- Broader range of biodiversity concerns and climate change considerations and clear provisions for situations when offsets are not permitted;
- Introduction of Free, Prior, and Informed Consent (FPIC) for Indigenous Peoples in specified circumstances and requirements to document consent; and
- Requirements for increased and ongoing stakeholder engagement throughout the project cycle.

3. **The proposed Framework maintains the World Bank’s long-established core principles, while responding to new challenges.** The purpose of the Framework is to *set strong environmental and social standards for Investment Project Financing that will help achieve*

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<sup>1</sup> See World Bank Group Strategy, p. 5

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

*sustainable development results*. While this Framework will not by itself guarantee sustainable development, its proper implementation will ensure the application of standards that provide a necessary foundation for that objective, and provide a leading example for activities outside the scope of World Bank-supported projects.

4. **The proposed Framework is better for people and the environment.** The ESF addresses a broader range of environmental and social issues (for example, non-discrimination, labor protections, provisions for natural as well as modified habitats, tangible and intangible cultural heritage), thus affording greater protection to people and the environment.

5. **The proposed ESF is better for Borrowers.** The Framework will help achieve efficiency gains in project processing over time through more clearly delineated project boundaries that allow Borrowers to better manage project-related environmental and social risks and impacts. Greater detail within the ESF provides Borrowers with more clarity on World Bank requirements. These changes, together with enhanced implementation 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 for technical and financial feasibility to be taken into account. The potential use of Borrower frameworks allows for a greater sense of project ownership by Borrowers and allows them to address risks and impacts in a manner which is more resource efficient. Assessment of Borrower frameworks will identify areas where capacity building is required.

6. **The review and update of the World Bank’s safeguard policies requires addressing some of the most sensitive and challenging issues, where shareholders and stakeholders have varied and often opposing views.** By necessity, the proposals set out in this Framework represent a balanced response to the diverse views and needs of the World Bank’s shareholders and stakeholders. The pragmatic solutions presented here take into consideration the realities of project development, implementation experience, experience of other MDBs<sup>2</sup> as well as technical and financial capacity of Borrowers.

7. **After endorsement by CODE, the World Bank will initiate a third consultation phase to elicit the views of shareholders and stakeholders on the proposed ESF to inform and support the preparation of a third and final proposal,** which will be presented to Executive Directors for approval. Implementation of the new Framework is anticipated to start in 2016.

8. Following this introduction, Section II describes the World Bank’s approach to reviewing and updating the safeguard policies. Section III introduces the second draft Framework, discusses stakeholder feedback, and lists changes that have been made since the first draft. Section IV discusses the treatment of complex cross-cutting development issues that have been of special interest to shareholders and stakeholders. Section V describes current thinking on the implementation of the framework and Section VI lists next steps and the indicative timeline for

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<sup>2</sup> A “Comparative Review of Multilateral Development Bank Safeguard Systems” is available online at [http://consultations.worldbank.org/Data/hub/files/consultation-template/review-and-update-world-bank-safeguard-policies/en/phases/mdb\\_safeguard\\_comparison\\_main\\_report\\_and\\_annexes\\_may\\_2015.pdf](http://consultations.worldbank.org/Data/hub/files/consultation-template/review-and-update-world-bank-safeguard-policies/en/phases/mdb_safeguard_comparison_main_report_and_annexes_may_2015.pdf).

the remaining phase of the review process. Section VII presents conclusions. A history of the World Bank's safeguard policies is included in Annex 1.

## II. APPROACH TO REVIEW AND CONSULTATION FEEDBACK

9. **An Approach Paper was approved by the Board of Executive Directors in July 2012, outlining the objectives and scope of the review.** The World Bank carried out a first consultation phase from October 2012 through April 2013, reaching more than 2,000 stakeholders from over 40 countries from all regions across the world. This consultation focused on identifying strengths and weaknesses of the World Bank's safeguard policies and on principles that should inform the new generation of safeguard policies.

10. **Consultation feedback from shareholders and stakeholders informed a first draft proposed Environmental and Social Framework, which was discussed by CODE on July 30, 2014.** The World Bank conducted the second consultation phase from July 31, 2014, to March 1, 2015. This consultation was the largest engagement effort on a policy reform undertaken by the World Bank or other development partners to date. Consultations included participants from 65 countries across all regions, including 54 borrower countries. More than 130 position papers have been received from governments, Indigenous Peoples leaders and project affected communities. Stakeholders consulted included representatives from government, civil society organizations at international, national and local level involved in advocacy or service delivery, United Nations agencies; multilateral mandate holders; multilateral and bilateral development partners; private sector representatives; development-oriented organizations and foundations; academic and applied research institutions; professional organizations and societies; labor organizations; and Indigenous Peoples leaders and representatives. They provided their feedback during face-to-face discussions, in audio and video conferences, expert focus groups, and through online submissions to a dedicated website<sup>3</sup>. The consultation process focused on seeking input on the first draft of the Framework and in particular on key changes that would strengthen its effectiveness.

11. **Consultations on the review of the World Bank's safeguard policies follow the World Bank Consultation Guidelines<sup>4</sup> and good practice for international consultation.** Logistical shortcomings at the beginning of the 2014/15 consultation effort were rectified together with relevant stakeholder groups.<sup>5</sup> To ensure that stakeholders had sufficient time to prepare their comments and engage with the World Bank, the consultation phase was extended from an initially planned period of 5 months to 7 months. The consultation meeting schedule was published on the dedicated consultation website as soon as meetings were confirmed. Participants received 2-3 weeks' notice of consultation meetings. Stakeholders who did not receive an invitation were able to register for consultation meetings online. An effort was made to ensure that consultation venues

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<sup>3</sup> <http://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>. See attachment 3 for a summary of consultation feedback on Management responses.

<sup>4</sup> [http://consultations.worldbank.org/Data/hub/files/documents/world\\_bank\\_consultation\\_guidelines\\_oct\\_2013\\_0.pdf](http://consultations.worldbank.org/Data/hub/files/documents/world_bank_consultation_guidelines_oct_2013_0.pdf)

<sup>5</sup> A letter to the World Bank on the consultation process listing shortcomings in the process can be accessed online at [http://consultations.worldbank.org/Data/hub/files/consultations\\_letter\\_11.25.14\\_final.pdf](http://consultations.worldbank.org/Data/hub/files/consultations_letter_11.25.14_final.pdf). The World Bank's response is posted at [http://consultations.worldbank.org/Data/hub/files/wbresponse\\_hrights.pdf](http://consultations.worldbank.org/Data/hub/files/wbresponse_hrights.pdf).

were accessible for persons with disabilities. Consultation documents were available in nine languages.<sup>6</sup> Sign language interpreters as well as copies of consultation materials in Braille were provided when needed. The World Bank made a special effort to reach out to stakeholders in rural and hard to reach areas, such as indigenous groups and people living in rural areas.

12. **To ensure the transparency of the consultation process, all consultation events and feedback received from stakeholders were recorded on a dedicated consultation website.** This website was also used to elicit written stakeholder feedback. The summaries of feedback from the consultation meetings as well as public statements submitted by shareholders and stakeholders were published online. While the feedback summaries did not fully capture the richness of the discussions, they reflected the key aspirations, concerns and recommendations of participants. Feedback demonstrates the varied and sometimes conflicting views that the World Bank has taken into consideration.

13. **Shareholder and stakeholder views vary widely.** Management received close to 2,500 pages of feedback from stakeholders. The extensive feedback was carefully reviewed and analyzed by working groups comprising staff across the World Bank Group. Overall, shareholders and stakeholders agreed that there is a need to update the World Bank's safeguard policies. The proposed Framework architecture was deemed appropriate. Views on the proposed standards and complex cross-cutting development issues are discussed in Sections III and IV of this paper.

14. **The World Bank's Board of Executive Directors as well as social development and social inclusion staff, environmental specialists, and legal experts participated in internal deliberations on the second draft of the Framework.** Internal engagement was conducted through:

- Close cooperation with the Social Urban, Rural and Resilience and the Environment and Natural Resources Global Practices as well as the Climate Change and Gender Cross Cutting Solutions Areas;
- Internal Committees of senior World Bank staff;
- Internal road-tests with senior technical specialists and task team leads;
- Briefings to and consultations with Executive Directors and their Advisors on subjects such as Indigenous Peoples and Climate Change;
- Working Groups on each proposed ESS, the draft Policy, and the Vision of the framework, involving staff across the World Bank Group.

### **III. RAISING STANDARDS FOR INVESTMENT PROJECT FINANCING: THE PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK**

15. **The objective of the review is to broaden and strengthen the current safeguard provisions, while preserving core values and tested protections.** The updated Framework maintains:

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<sup>6</sup> Arabic, Bahasa Indonesia, Chinese, English, French, Portuguese, Russian, Spanish and Vietnamese.

- The World Bank’s **leadership in setting standards for achieving sustainable development outcomes and social and environmental protection in investment projects** through preserving the core values of the safeguard policies.
- **Special protections for disadvantaged and vulnerable people, Indigenous Peoples, communities and the environment**, including provisions for pest management, dam safety, natural habitats, and cultural heritage.
- **Rigorous assessment of social and environmental risks.** The provisions of the current OP/BP4.01 (Environmental Assessment) will be preserved in the new framework, with the addition of a new risk assessment methodology in line with the World Bank’s Systematic Operations Risk-Rating Tool (SORT, see Box 1 for more details) as well as strengthened monitoring and implementation support.

**Box 1: Standardized Operations Risk-rating Tool (SORT)<sup>7</sup>**

The Standardized Operations Risk-rating Tool (SORT) is designed to help the World Bank consistently assess and monitor risks across all operational instruments and country programs. This will allow the Bank to support client countries more effectively in managing development results.

The risks considered in SORT include risks to development results associated with the operation: both the risks to not achieving the intended (positive) results intended by Bank-supported operations, and the risks of Bank-supported operations causing unintended (negative) results. SORT provides the information needed to help clients adequately manage and, where possible, mitigate operational risks within a broader risk management framework. It is intended to identify those risks on which the Bank needs to focus management attention and resources – within any given operation or at the level of the country, region, global practice or cross-cutting solution area.

The SORT tool is a simple matrix consisting of nine risk categories, plus an overall risk assessment. The assessment takes into account both the likelihood of the risk materializing, as well as the severity of its impact on the achievement of the intended results.

16. **The proposed Framework seeks to improve the quality and speed of decision making and risk management, and improve monitoring and supervision.** This will be achieved through a number of innovations:

- **Balanced approach:** There is a great diversity of geographical, social, economic, cultural and political landscapes as well as developmental status and resource endowment amongst the 188 owner countries of the World Bank. This is sometimes reflected in different views and opinions on environmental and social issues. The proposed ESF represents an attempt to forge a balance amongst the varied positions of the World Bank’s shareholders, whilst presenting an approach that sets strong environmental and social standards for Investment Project Financing and is respectful of differing views and sensitivities. At the same time, the proposed Framework is informed by experiences from implementing the current safeguard policies and the experiences with their own environmental and social frameworks of other MDBs.
- **Comprehensive coverage:** The ESF offers an approach to project appraisal and implementation which is comprehensive in its coverage of environmental and social issues, is inclusive with respect to marginalized and vulnerable groups. It provides an enhanced

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<sup>7</sup> For more information, see the Interim Guidance Note on SORT at [http://www.worldbank.org/content/dam/Worldbank/document/SORT\\_Guidance\\_Note\\_11\\_7\\_14.pdf](http://www.worldbank.org/content/dam/Worldbank/document/SORT_Guidance_Note_11_7_14.pdf).

focus on disclosure of information, stakeholder engagement and grievance redress recognizing that participation, transparency and accountability are the bedrock of inclusive development.

- **Outcomes-based approach:** The proposed outcomes-based approach allows for adaptive management of project risks and impacts. This will help improve the World Bank's 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 projects have indicated deficiencies in the environmental and social performance of projects caused by the current safeguard model, which tends to be more 'front-loaded' in its approach to risk assessment and management. Insufficient attention is sometimes given to monitoring and supervision of projects and to evaluations of how people and communities have actually been affected by World Bank projects. The ESF redresses this by (i) establishing an outcomes-based approach that requires World Bank staff to monitor projects in a manner proportionate to risks and impacts; (ii) requiring Borrowers to communicate with stakeholders during implementation on a continuing basis about project environmental and social issues, based upon disclosure of relevant information; and (iii) introducing a revised risk management approach whereby action on the part of the Borrower may be addressed in a time bound fashion in the legal agreement or Environmental and Social Commitment Plan (ESCP).
- **Resource-efficient, risk-based approach:** The proposed risk-based approach allows for proportionate assessment of environmental and social risks and impacts, thereby better optimizing the use of Borrower resources. It presents a resource-efficient approach to environmental and social appraisal and implementation, commensurate with the significance of project environmental and social risks and impacts. The ESF requires the World Bank to put in place a more comprehensive risk-based categorization of projects and a risk-driven approach to allocation of staff resources. The risk rating for projects will be reviewed and adjusted as appropriate throughout the life of a project. The ESF is client-focused in that it recognizes there is no 'one size fits all' approach to project appraisal and that environmental and social requirements need to be tailored to reflect project context as well as Borrowers' technical and financial considerations.
- **Integrated approach:** The ESF requires that environmental, social and health and safety issues are considered in an integrated manner given the interplay that often exists between them.
- **Greater clarity regarding roles and responsibilities:** The ESF provides more clarity about the division of roles between the World Bank and the Borrower as compared to the existing Operational Policies (OP) and Bank Procedures (BP). The World Bank's role and responsibilities are described in the Environmental and Social Policy (ESP) and in the Environmental and Social Procedure (ESPP), which outline how the ESP is to be operationalized within the World Bank's processes and structure. Ten Environmental and Social Standards (ESSs) establish Borrower requirements.
- **Capacity building:** The proposed approach to assessing and managing environmental and social risk includes a specific focus on building the risk management capacity of borrowing countries and accelerating Borrower's progress. It allows the World Bank to work with Borrowers to identify priority activities based on a gap analysis of the Borrowers

environmental and social frameworks and the assessment of risks and impact through the adaptive risk management approach.

- **Accountability:** The proposed Framework includes enhanced requirements for project-level grievance redress mechanisms commensurate to the nature of the project. This is an important additional element of accountability on the part of the Borrower.
- **Harmonization:** The ESF brings the World Bank's environmental and social requirements into close functional alignment with the requirements of IFC and MIGA, which will facilitate the co-financing of public-private partnerships. Although there are some differences between IFC's Performance Standards and the proposed ESSs, which reflect the different mandates of both organizations, the requirements of the World Bank Group institutions will be more closely aligned with regard to structure as well as areas covered. The ESF is more harmonized with the requirements of other MDBs and institutions that apply the Equator Principles. This means that, in co-financing situations, it will be easier for Borrowers to satisfy the often nearly identical requirements of different lending institutions.

**17. The proposed ESF builds on and strengthens the existing World Bank safeguard policies and aims to be the most advanced environmental and social framework within the international financial community for addressing investment lending in the public sector.** The adoption of this Framework will help the World Bank reassert its position as a leader in the financing of sustainable development, setting an example for existing financial institutions and newly emerging ones.

**18. The proposed ESF comprises the Environmental and Social Vision, Environmental and Social Policy, and Environmental and Social Standards for Borrowers** (see Attachment 1). It replaces OP/BP4.00 (Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects), OP/BP4.01 (Environmental Assessment), OP/BP4.04 (Natural Habitats), OP4.09 (Pest Management), OP/BP4.10 (Indigenous Peoples), OP/BP4.11 (Physical Cultural Resources), OP/BP4.12 (Involuntary Resettlement), OP/BP4.36 (Forests) and OP/BP4.37 (Safety of Dams).<sup>8</sup> The content of the existing documents has been reviewed and, as appropriate, incorporated into the ESF. The ESF applies to World Bank Investment Project Financing. Instrument-specific provisions for addressing environmental and social considerations, namely those for Program for Results (PforR) and Development Policy Financing (DPF), will continue to be set out in the relevant instrument-specific operational requirements.

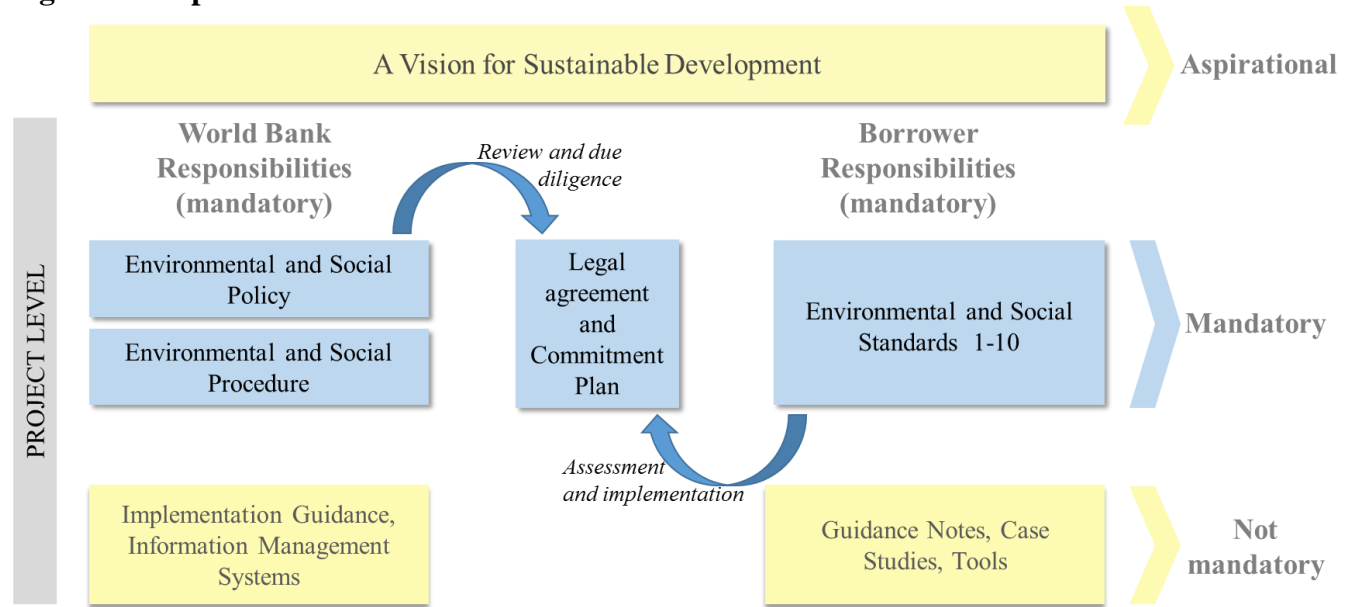
**19. The documents have been written to conform to the Policy and Procedures Framework (P&PF).** The overall ESF package provided to CODE includes an aspirational Vision and the mandatory aspects of the framework (Policy, Environmental and Social Standards for Borrowers, Procedure; see Figure 1 for a detailed illustration of the framework structure and Table 1 for an overview of World Bank responsibilities and Borrower responsibilities). The draft policy and standards address the principles of the proposed approach to assessing and managing environmental and social risk. Some of the details for implementation and specifications about the

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<sup>8</sup> 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).

timeframe in which requirements need to be fulfilled are provided in the Procedure. Implementation in specific contexts as well as assessment methodologies will be included in Instructions and Guidance for World Bank staff and for Borrowers.

**Figure 1. Proposed Structure of the Framework**



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20. **As is the case with the current safeguards, the proposed ESF does not include references to specific international conventions.** It is Management’s view that the requirement for both World Bank and Borrower to comply with the ESF should be self-standing, and should not require reference to external sources to make this judgment. While the World Bank has an accountability system to determine compliance with its own policies and procedures, it is not a competent authority to decide whether a sovereign state is in compliance with its treaty obligations. That judgment lies within treaty bodies that have their own system of governance or rely upon other tribunals.<sup>9</sup> Given the near universal membership of the World Bank and the varied degree of ratification, revision, and interpretation, the World Bank cannot track and impose international obligations on its Borrowers.

21. **Having stated these limitations, the ESF does require that the Borrower’s assessment and the Bank’s due diligence take into account international instruments directly applicable to the project.**<sup>10</sup> Moreover, while OP4.01 referred only to “environmental treaties”, the ESF includes treaties beyond the environmental realm provided they are applicable to the project. In addition, the ESF will be supported by Guidance that will include references to key international

<sup>9</sup> For example, the ILO has direct competence and authority to address non-compliance with ILO Conventions.

<sup>10</sup> See ESS1, paragraph 24: the environmental and social assessment will “take into account ... obligations of the country directly applicable to the project under relevant international treaties and agreements.”



treaties and instruments and that can be updated as and when references to relevant international instruments change.

**Table 1. Summary of World Bank responsibilities and Borrower responsibilities**

World Bank responsibilities <sup>11</sup>	Borrower responsibilities <sup>12</sup>
Undertake its own due diligence of proposed projects, proportionate to the nature and potential significance of the environmental and social risks and impacts related to the project.	Conduct environmental and social assessment of the proposed project, including preparing the necessary terms of references and designing the plan for stakeholder engagement.
As and where required, support the Borrower to carry out early and continuing engagement and meaningful consultation with stakeholders, in particular affected communities, and in providing project-based grievance mechanisms.	Undertake stakeholder engagement and disclose appropriate information in accordance with ESS10.
Assist the Borrower in identifying appropriate methods and tools to assess and manage the potential environmental and social risks and impacts of the project.	Develop and implement an Environmental and Social Commitment Plan (ESCP).
Agree with the Borrower on the conditions under which the Bank is prepared to provide support to a project, as set out in the ESCP).	Conduct monitoring and reporting on the environmental and social performance of the project against the ESSs.
Monitor the environmental and social performance of a project in accordance with the ESCP and the ESSs.	

## A. Vision for Sustainable Development

22. **The Vision explains the World Bank’s objectives of setting strong standards for IPF, enabling sustainable development outcomes in World Bank-supported projects.** The Vision commits the World Bank 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 shares the aspirations of the Universal Declaration of

<sup>11</sup> For more details, see the Environmental and Social Policy and Procedure.

<sup>12</sup> For more details, see the Environmental and Social Standards, which include information about Standard-specific plans and reporting requirements.

Human Rights and helps its clients fulfill those aspirations. To help ensure development effectiveness, the World Bank intends to maintain, in a manner consistent with its Articles of Agreement, the promotion of such approach in the design and implementation of the development projects it supports.

## **B. Requirements for the World Bank: World Bank Environmental and Social Policy (ESP)**

**23. 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 procedures.** The ESP specifies the World Bank's mandatory environmental and social requirements in relation to projects supported by the World Bank through Investment Project Financing. 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 will consider in its due diligence. It requires the Borrower to structure projects so that they meet the ESSs in a manner and timeframe acceptable to the World Bank. This takes into account Borrowers' technical and financial constraints. It clarifies what the World Bank will take into account in establishing the manner and acceptable timeframe. The Policy introduces a risk-based classification system to enhance consistency and decision-making.

**24. To facilitate project preparation and support compliance throughout the lifetime of a project, the World Bank and the Borrower will agree on an Environmental and Social Commitment Plan (ESCP).** The ESCP sets out the project commitments and is part of the financing agreement (see Box 2 for more details). It supports actionable risk management through adherence to the ESSs throughout the lifetime of the project, including as necessary the type of dated covenants currently more common in the financing agreements of other development finance institutions, including IFC.

### **Box 2. Environmental and Social Commitment Plan (ESCP)**

- Constitutes a binding document as part of the legal agreement between the World Bank and the Borrower.
- 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.
- 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.
- Forms the basis for monitoring the environmental and social performance of the project.
- Defines the means and frequency of reporting on implementation of measures and actions required to achieve compliance with ESSs.
- Specifies the aspects of the national environmental and social framework to be used, if any.

**25. Consultation feedback on the ESP concerned, first and foremost, provisions for the use of Borrower frameworks, provisions for Indigenous Peoples and risk rating for subprojects.** After carefully analyzing the feedback received, the following changes have been made:

- Provisions related to the use of **Borrower frameworks** have been amended to clarify that the use of Borrower frameworks will be determined at the discretion of the World Bank. Where the World Bank has agreed to consider such use, the World Bank will review the relevant frameworks to assess whether they would enable the project to achieve objectives materially consistent with the ESSs.
- The clause for the applicability of the draft **Indigenous Peoples** standard (ESS7), which proposed an “Alternative Approach,” has been deleted. The text relating to determining the applicability of ESS7 has been strengthened: When identifying Indigenous Peoples, the World Bank will consult the Indigenous Peoples concerned and the Borrower. Criteria for the World Bank to establish whether consultation with Indigenous Peoples have been meaningful have been strengthened. Unlike in the first draft ESP, the World Bank now needs to ascertain the outcome of the meaningful consultation and this will contribute to the World Bank’s decision making as to whether to proceed with the project or not.
- The **requirements for subprojects** that are components of directly financed World Bank projects have been increased: The World Bank will require the Borrower to assess environmental and social risks and impacts for High Risk subprojects in accordance with the ESSs (first draft). In addition, Substantial, Moderate, and Low Risk subprojects will require an assessment of risk and impacts according to national law and any requirement of the ESSs that the World Bank deems relevant to the subproject (second draft). If the risk classification of the subproject increases to a higher risk rating, the relevant parts of the ESSs need to be applied as agreed with the World Bank to address the issue of concern. These requirements for Substantial, Moderate and Low Risk subprojects were not included in the first draft of the ESF.

### C. **Requirements for the World Bank: Environmental and Social Procedure (ESPP)**<sup>13</sup>

26. **The ESPP provides Management’s instructions to World Bank staff on applying the Policy.** They regulate accountability and decision-making processes in IPF across the World Bank. The ESPP is intended to ensure that support to managing environmental and social risk is handled effectively across the IPF portfolio. The ESPP will address implementation issues such as the timing of completion for risk assessment and mitigation measures, risk classification, mitigation hierarchy, 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.

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<sup>13</sup> See attachment 2.

#### **D. Requirements for Borrowers: Environmental and Social Standards (ESSs)**

27. **The Environmental and Social Standards (ESSs) contain Management’s requirements for Borrowers on assessing and managing environmental and social risks and impacts in IPF.** The ESSs build on and replace the OP/BP4.00, OP/BP4.01, OP/BP4.04, OP4.09, OP/BP4.10, OP/BP4.11, OP/BP4.12, OP/BP4.36 and OP/BP4.37.

28. **ESS1: Assessment and Management of Environmental and Social Risks and Impacts – *Clear requirements and definitions, actionable risk management, harmonization with development partners***

ESS1 is the overarching standard which, together with ESS10, applies to all projects and considers at the outset the use of the Borrower’s existing environmental and social framework. It sets out the mandatory requirements for the Borrower, which relate to environmental and social assessment, management and monitoring of Bank financed 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.

Under ESS1, the Borrower will ensure that the environmental and social assessment of the project takes into account the applicable national policy framework, laws and regulations, and institutional capacity relating to environmental and social issues; variations in country conditions and project context; national environmental and social action plans or studies; and the obligations of the country under relevant international treaties and agreements. Borrowers are also required to apply the relevant requirements of the World Bank Group’s Environmental, Health and Safety Guidelines (EHSGs) and other relevant Good International Industry Practice (GIIP).

29. *Consultation feedback:* Feedback on ESS1 focused on non-discrimination, the proposed approach to risk management, and the use of Borrower frameworks. Stakeholders widely welcomed the non-discrimination provision, while not all agreed on whether and which specific groups should be identified as disadvantaged or vulnerable. Over the course of the review, some groups who considered themselves especially vulnerable to discrimination have demanded stand-alone standards and dedicated assessments of their status. On the other hand, some shareholders quoted cultural concerns over recognizing some of the groups listed in the proposed standard. Adaptive risk management was welcomed as a modern approach that would increase the World Bank’s responsiveness to changes in project risks. However, many stakeholders expressed concerns that this risk management approach could lead to insufficient information available before project approval, limiting stakeholders’ ability to participate in meaningful consultations and limiting the World Bank’s Board of Executive Directors in making informed decisions about projects. Some stakeholders expressed concerns about the use of Borrower frameworks for assessing and managing risks and the extent of Borrower responsibility and discretion. Others thought that Borrower frameworks should be used for risk management in all Bank-financed projects, particularly countries that have developed extensive legal frameworks related to environment and development.

30. *Discussion:*

Non-discrimination

Non-discrimination is a core principle of the proposed ESF. ESS1 contains a provision to assess and mitigate any risk of adverse project impacts through inadvertent or deliberate discrimination. On the advice of non-discrimination and impact assessment experts, Management decided to maintain a non-exhaustive list of vulnerable and disadvantaged groups in footnote 22 of paragraph 26 of ESS1. This is consistent with the integrated approach of the ESF, which reflects the intersectionality of discrimination issues. The draft standard applies the non-discrimination provision in a broad and inclusive manner. New groups or people who belong to more than one group will not slip through the net.

Adaptive Risk Management

Adaptive risk management allows for the management of risks and impacts throughout the entire life of the project. This approach, as introduced in the first draft of ESS1, reflects international best practice in risk management. Borrowers will be required to undertake and prepare detailed studies and action plans after a project has been approved (i) if the exact location of project components is not yet decided; (ii) when linear projects are constructed over several years and people or the environment may not be impacted for some time; (iii) when the project involves many small components that cannot be addressed adequately at the time of Board consideration; (iv) in emergency situations or where Borrower capacity is very limited.

To respond to stakeholder concerns and ensure strong risk assessment and management, the proposed ESF:

- Clearly establishes the principle that relevant and sufficient environmental and social information needs to be made available to stakeholders as early as possible and throughout the life of the project;
- Establishes that there must be a process of meaningful engagement and consultation with project affected and interested parties to facilitate the development of more inclusive projects with better environmental and social performance; and
- Restricts the implementation of project components with a risk of significant environmental and social impact, but where information on the risk of harm to project-affected people is insufficient.

31. *Changes in the second draft of ESS1 as compared to the first draft*

- Text related to use of Borrower frameworks has been amended to reflect that the use of all or parts of **Borrower frameworks** in the assessment, development and implementation of projects will be at the discretion of the World Bank.
- The requirements for **directly funded subprojects** that are components of World Bank projects have been increased. The first draft ESF required High Risk projects to meet the ESSs. The second draft adds a requirement for Substantial, Moderate and Low Risk subprojects to comply with national law and any requirement of the ESSs that the World Bank deems relevant to the subproject.

- The list of examples of **vulnerable and disadvantaged groups** has been extended to include health status and disabilities beyond physical and mental.
- Wording on **supply chains** has been amended to restrict the scope of the Borrower's assessment to primary suppliers in relation to ESS2 (Labor and Working Conditions) and ESS6 (Biodiversity Conservation).
- The concept of **ecosystem services** has been introduced (and is reflected as appropriate in other ESSs).
- Borrower reporting **obligations now include a requirement to provide information on stakeholder engagement** undertaken during project implementation.
- A requirement to assess risks and **impacts caused by land titling activities has been added.**

**32. ESS2: Labor and Working Conditions – *Protecting project workers, preventing forced and child labor, providing a grievance mechanism***

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 the existing commitments of Borrower countries 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. ESS2 applies to workers employed directly by the Borrower to work specifically in relation to the project, 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's existing EHSs.

33. *Consultation feedback:* The proposed ESS2 is the first ever introduction of labor requirements for projects financed by the World Bank. Feedback on this proposed standard was similar across stakeholder groups: Stakeholders acknowledged the proposal as significant step forward in the Bank's efforts to protect workers. They criticized that the first draft standard did not include provisions for contractors, sub-contractors, government employees, the informal work sector, and supply chain issues. Stakeholders advocated for the inclusion of all ILO core labor standards, including a right to collective bargaining and freedom of association. It was also suggested by some to reference ILO core standards and the ILO Declaration on Fundamental Principles and Rights at Work.

34. *Discussion:* For the first time, the World Bank will be adopting a labor standard, which addresses and reflects the ILO Declaration on the Fundamental Principles and Rights at Work, as well as the ILO's eight core labor conventions. It also includes strong commitments on occupational health and safety. In drafting ESS2, the Bank has benefitted from the advice and guidance of the ILO and expert working groups. Tailored to the needs of public sector investment lending, ESS2 is amongst the most advanced of International Financial Institutions (IFI) labor requirements. It offers a broader coverage of project-related workers, addresses more clearly workers engaged by third parties and primary suppliers, provisions for child and forced labor and the grounds for discrimination. ESS2 includes requirements regarding freedom of association and

the right to collective bargaining. It also benefits from a wider coverage of occupational health and safety issues.

35. *Changes in the second draft of ESS2 as compared to the first draft*

- The second draft of the standard on labor and working conditions has been strengthened by the addition of requirements for **freedom of association and the right to collective bargaining**: A provision has been added to allow workers to develop **alternative mechanisms to express grievances** and protect their right regarding working conditions and terms of employment where national law restricts freedom of association and collective bargaining.
- The **scope of coverage** has been extended to cover contractors, primary supply workers and workers involved in community labor. If government civil servants remain employed under the government's terms and conditions, provisions on occupational health and safety and protections of the work force as set out in ESS2 will apply. If they are employed under the project's terms and conditions, ESS2 will apply. The descriptions of worker categories has been clarified.
- Language on **forced and harmful child labor** has been strengthened from "avoid" (first draft) to "prevent" (second draft). A minimum age of 14 has been established for child labor for all World Bank-supported projects, unless national law provides for a higher minimum age.
- Requirements to provide workers with **written information** and documentation on terms and conditions of employment has been added.
- Additional provisions on **occupational health and safety** have been added.

36. **ESS3: Resource Efficiency and Pollution Prevention – *Better treatment of natural resources and waste management***

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 OP4.09 (Pest Management) and addresses the generation and treatment of wastes, hazardous materials and pesticides.

37. *Consultation feedback*: Stakeholders disagreed on provisions for greenhouse gas accounting: While GHG accounting was considered a crucial requirement by some, others argued that such a requirement would be burdensome and too expensive for Borrowers. Some consultation participants saw decisions on GHG accounting as a matter of international climate negotiations that could not be decided through a World Bank policy. Stakeholders discussed the use of the EHSs, but there was no consensus whether these should be made mandatory or used as technical

reference documents. Some concerns were raised regarding the clarity of definitions and the precise meaning of phrases such as “technical and financial feasibility.”

38. *Discussion:* While climate change is among the most pressing development issues (see separate discussion in Section IV), impacts that can be achieved on a project-level are necessarily limited. Nevertheless, Management agrees that project impacts on climate change need to be considered. The World Bank is also working across the entire institution to develop a strong and effective approach to climate change that goes beyond the downstream effectiveness of the proposed ESF.

After careful consideration of stakeholder feedback and project experiences, Management proposes to eliminate the threshold for water management as well as the numerical threshold of 25,000 tons of carbon dioxide production for GHG emission estimation. Management will issue Guidance to advise Borrowers and World Bank staff on estimating GHG and on the situations that require a water management plan.

The primary purpose of GHG estimation is to promote pollution prevention and resource efficiency. Climate change mitigation is an added purpose. To identify measures to reach these objectives, it is necessary to first estimate project GHG emissions. While Management does not propose mandatory requirements to implement measures to avoid, minimize, mitigate or compensate for GHG emissions, there should be requirements to address energy efficiency through the mitigation hierarchy. The GHG emissions reporting requirement provides an avenue for projects to demonstrate impacts of energy efficiency measures in their projects.

For the majority of projects, GHG emissions can be estimated using existing tools and methods, e.g. the IFC Carbon Emissions Estimation Tool, based on generally available project-level data relating to purchases of fuel, fertilizer, electricity, etc. In instances where the estimation of project GHG emissions is more challenging e.g., soil carbon), ESS3 only requires estimation where emissions are expected to be significant within the scope of project emissions as a whole. Furthermore, ESS3 applies a “technically and financially feasible” criteria to this requirement generally.

The use of water by a project must be considered within the context of the project environment. For example, a project using 5,000 m<sup>3</sup> water per day (threshold in the first draft) constitutes a major strain on water resources if water is scarce. If however, water is not scarce, the 5,000 m<sup>3</sup> threshold may be arbitrary and may limit the efficiency of a project.

39. *Changes in the second draft of ESS3 as compared to the first draft*

- References to **short and long-lived climate pollutants**, including greenhouse gases as well as black carbon, have been added. Borrowers are required to consider impacts on climate change.
- Requirements for **energy use and use of raw materials** have been clarified under the section of resource efficiency.
- Unlike in the first draft ESF, **air pollution** is more clearly addressed.



- The first draft standard required Borrowers to quantify direct **GHG emissions** for projects that are expected to or currently produce more than 25,000 tons of CO<sup>2</sup>-equivalent annually. This threshold has been deleted. While GHG emissions are required to be estimated, the threshold and further details on estimation methodology will be provided in Guidance.
- The first draft standard required Borrowers to develop a detailed **water management plan** for projects that need more than 5,000 m<sup>3</sup> water per day. This threshold has been removed. The need for a water management plan will be determined in the context of overall water availability.

#### 40. **ESS4: Community Health and Safety – Avoiding harm and mitigating impacts**

ESS4 consolidates into one standard the existing practices related to the impacts of projects on communities. It incorporates OP/BP4.37 on the Safety of Dams and also captures explicitly 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 provisions of some other MDBs.

41. *Consultation feedback:* Consultation feedback on the proposed ESS4 focused on public health issues and adverse project impacts on vulnerable groups. A number of stakeholders asked for enhanced provisions for public health and specifically whether non-communicable health issues should be included. Stakeholders also suggested to focus provisions in this standard on impacts on groups such as children and women.

42. *Discussion:* Recent natural disasters and global health crises have shown that sustainable development outcomes can only be achieved when development interventions take disaster preparedness and resilience into account. This requires, for example, recognizing that adverse impacts on health can result from non-communicable in addition to communicable diseases and from factors other than diseases. In addition to recognizing the broad range of factors that can affect community health, it is also important to consider that changing circumstances may require adjustments to emergency response plans in order to maintain their usefulness.

#### 43. *Changes in the second draft of ESS4 as compared to the first draft*

- Requirements addressing community exposure to disease (first draft) have been extended to cover **community exposure to health issues** (second draft) to reflect that there are health issues other than communicable diseases that can affect community health and need to be taken into consideration. **Non-communicable diseases** have explicitly been included.
- **Ecosystem services** have been introduced, including provisions for assessing climate change impact.

- Requirements for emergency preparedness and response have been extended to include **preparedness and response to extreme weather conditions or events**.
- Requirements for **product safety** have been removed.
- Borrowers are required to regularly review their **emergency and response plan** to ensure it remains fit for purpose. Borrowers are required to support communities and other affected groups that may be involved in it through training and collaboration.
- A reference to **grievance mechanisms** has been deleted as redundant because requirements for grievance mechanisms are listed in detail in ESS10, which applies to all projects.
- Borrowers are required to review all allegations of unlawful or abusive acts of **security personnel**, take action (or urge the appropriate parties to take action) to prevent recurrence, and, where necessary, report unlawful and abusive acts to the relevant authorities. The first draft standard required Borrowers to consider and investigate allegations where appropriate.

44. **ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement – Clear scope of application, simplification of procedures**

ESS5 applies to all situations in which land is acquired for a project, or restrictions on land use are imposed. It provides clarity 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 introduces the requirement for 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.

45. *Consultation feedback:* Discussions of ESS5 emphasized the importance of including detailed requirements for social baseline studies and resettlement planning. There was concern whether under the new ESF, resettlement planning in complex projects would still be required as a condition for project approval. Stakeholders criticized the absence of language calling for the design of resettlement as a development program with opportunities for affected people to share in project benefits. The first draft's exclusion of land titling and land use planning activities was questioned, and greater clarity on the treatment of voluntary transactions was requested. A number of stakeholders argued that the coverage of ESS5 was too narrowly focused on the direct impacts of land acquisition or restrictions on use, and should cover project livelihood impacts more generally.

46. *Discussion:* Throughout the review process, there has been considerable interest from stakeholders in the potential of the revised safeguards to address concerns about 'land grabs' and other forms of land tenure impacts in project lending. While tenure issues are dealt with extensively in the context of resettlement or Indigenous Peoples, some stakeholders have argued that impacts on land use, land rights, land access and conflicts over land arise from many other types of project interventions. These stakeholders therefore advocated a stand-alone standard on land tenure, reflecting as much as possible the recently-adopted Voluntary Guidelines on the Governance of

Tenure by the Food and Agriculture Organization/Committee on World Food Security (FAO/CFS).

After careful consideration, Management concluded that risks related to land tenure would be best approached through the initial environmental and social assessment, as opposed to including a new land-specific standard or expanding the coverage of ESS5 beyond resettlement. Hence, ESS1 includes explicit requirements that a wide-range of land tenure related risks be specifically addressed. In addition, the revised drafts of both ESS1 and ESS5 include new language concerning the mitigation of risks related to land titling projects (a frequently raised concern in consultations). The revised ESS5 also more clearly ensures that its protections will apply to people potentially affected by large-scale “voluntary” transactions, as a response to requests that provisions against “land grabbing” be included. It should also be noted that land and natural resource-related provisions in the ESP, ESS1, ESS5, ESS6 and ESS7, as well as the community engagement provisions in ESS10 are well-aligned with the spirit and substance of the Voluntary Guidelines.

47. *Changes in the second draft of ESS5 as compared to the first draft*

- A new Annex has been added, incorporating with minor changes the **detailed resettlement planning requirements** currently in the Annex to OP4.12 (Involuntary Resettlement), including for the production of baseline studies.
- A new objective has been added to the second draft of the standard, explicitly recognizing the importance of treating **resettlement as a development opportunity**, and of including measures for affected people to share in project benefits where possible.
- Stronger provisions have been incorporated for managing the risks associated with **voluntary transactions**, ensuring that persons that may be displaced by voluntary transactions are protected by the provisions of ESS5.
- A provision in the first draft that would have explicitly allowed the use of installment payments for **compensation** in certain circumstances has been deleted to clarify that compensation must always be paid before displacement.
- Consistent with the World Bank’s current resettlement policy (OP4.12), the proposed ESS5 excludes from its **scope of application** project activities in support of national or regional land use planning or natural resource regulation. However, the new draft explicitly requires that such activities be accompanied by social, legal and institutional assessments to identify risks and mitigation strategies, especially for the poor and vulnerable.
- The need to assess and mitigate risks associated with **land titling** and related activities is more strongly emphasized, and project design measures to address such risks are spelled out. The new draft specifies that ESS5 will apply if displacement results directly from titling state land. While the first draft of the ESF considered this good practice, the second draft states it as requirement.
- More thorough treatment of **gender issues** has been included in the new draft, particularly in terms of consultation strategies, assessment of women’s tenure rights, and the design of compensation and livelihood measures.
- A referral to ESS1 has been added relating to risks and **impacts on incomes and livelihoods** that are not a direct result of land acquisition or land use restrictions.

- ESS5 now includes text requiring that the full **costs of resettlement** are included in the total project costs and internalized in project economic analysis.
- Text has been added restricting the Borrower from commencing any project activities which cause **physical or economic displacement** until plans have been finalized and approved by the Bank.

48. **ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources – *Modernizing the World Bank’s approach to conserving biodiversity***

ESS6 addresses the range of biodiversity issues currently covered by OP/BP4.04 (Natural Habitats) and OP/BP4.36 (Forests). In line with the provisions of other MDBs, it establishes an approach to biodiversity protection in a proportionate manner 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 loss of habitat, degradation, invasive alien species, over exploitation, hydrological changes, nutrient loading and pollution. ESS6 includes specific requirements for critical habitats, legally protected and internationally recognized areas for biodiversity. It permits biodiversity offsets in limited circumstances. Where Borrowers are purchasing primary production, ESS6 includes requirements relating to primary suppliers.

49. *Consultation feedback:* Some stakeholders criticized the proposed standard as unclear with regard to offsets and to requirements for logging and hydropower projects. It was emphasized that offsets should only be a last resort in the mitigation hierarchy and that offsets should not be possible with regards to critical habitats. The proposed mitigation hierarchy should apply to all projects without exception. One group of stakeholders felt that the implementation of ESS6 may be burdensome. It was suggested that terminology and definitions should mirror those in IFC’s Performance Standards.

50. *Discussion:* ESS6 builds upon and broadens the protection afforded to habitats and the biodiversity they support under the existing OP/BP4.04 (Natural Habitats) and OP/BP4.36 (Forests). During consultation, ESS6 benefitted greatly from a workshop held with the International Union for Conservation of Nature (IUCN) and leading CSOs and experts engaged in biodiversity conservation and management, as well as input from many stakeholders. The proposed ESS6 now offers the broadest protection within its class, building upon the strengths of the existing policies as well as IFC’s Performance Standard 6. For example, the standard incorporates the mitigation hierarchy as the central procedural approach to biodiversity protection base upon a precautionary approach. The standard incorporates the concept of ecosystem services and sets comparatively more cautious criteria for considering project components that may adversely impact critical habitats. It also notes that offsetting is a last resort to be considered as the last step in the mitigation hierarchy and that in some circumstances offsetting and development affecting critical habitats cannot be supported by the Bank.

ESS6 also contains provisions relating to the sustainable use of living natural resources that reflect GIIP on animal husbandry.

51. *Changes in the second draft of ESS6 as compared to the first draft*

- The concept of **ecosystem services** has been introduced, and added as a new objective.
- The definitions of **habitat types** now reflect the terms and definitions used by IFC in Performance Standard 6.
- The second draft standard clarifies that **biodiversity offsets** should be considered only as a last resort and that in certain specified situations offsetting cannot be considered as an option. In cases or areas where offsets are not permissible, the Borrower will not undertake the project as designed.
- The text of the first draft standard and OP4.36 (Forests) has been consolidated to improve the **consistency** of the second draft standard. This refers especially to provisions regarding the location of commercial agriculture and forestry plantations.
- Provisions have been tailored to industrial and **large-scale commercial production** of crops and animal husbandry.
- The second draft ESF clarifies that **living natural resources** include all types of forestry, biomass, agriculture and fisheries. The first draft did not include this definition.

52. **ESS7: Indigenous Peoples – Introducing Free, Prior and Informed Consent (FPIC)**

The proposed ESS7 aims to address implementation challenges and consolidate a range of stakeholder views. The standard applies when Indigenous Peoples 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, and clarifies that pastoralism may be a basis of indigeneity. It requires Borrowers to take appropriate measures to protect Indigenous Peoples in voluntary isolation. ESS7 prohibits forced evictions of Indigenous Peoples. Borrowers are required to conduct meaningful consultation with Indigenous Peoples. In three specific circumstances (impacts on lands and natural resources under traditional ownership, use or occupation; relocation from the same; and significant impacts on cultural heritage) Borrowers are also required to obtain FPIC of affected Indigenous Peoples, as set out in ESS7.

53. *Consultation feedback:* Stakeholder consultations on the World Bank’s safeguard policies have identified implementation challenges related to the current OP/BP4.10 (Indigenous Peoples). Stakeholders had divergent opinions on the continuing need for a separate policy, the scope of application of any World Bank requirements related to Indigenous Peoples and whether project development should be conditional upon the Free, Prior and Informed Consultation with or Consent by Indigenous Peoples.

The introduction of FPIC was welcomed by many consultation participants. Some groups, however, expressed concern about potential discrepancies between FPIC and national law.

The proposed alternative approach for exceptional circumstances in which the identification of Indigenous Peoples could exacerbate civil strife or would be inconsistent with the national constitution was rejected by a large majority of the stakeholders. It was argued that this approach would not maintain the requirements of the current Indigenous Peoples policy (OP4.10).

Consultations included discussions about the most appropriate definition and description of the target group for this standard: It was suggested that it could be extended to vulnerable or historically disadvantaged groups in general.

54. *Discussion:* Indigenous Peoples are often amongst the most marginalized and vulnerable communities. The existing World Bank policy on Indigenous Peoples has been internationally recognized as one of the most effective instruments to protect Indigenous Peoples. Building upon this policy, ESS7 allows for greater recognition of and protection for Indigenous Peoples.

The World Bank notes that significant progress has been made in recent years in advancing the interests and protections afforded to Indigenous Peoples at the international level (such as the UNDRIP and ILO Convention 169) and through the initiatives of national governments and the advocacy work of civil society and Indigenous Peoples groups. From a social inclusion perspective, the ESF notes that special considerations need to be taken into account in engaging meaningfully with Indigenous Peoples and that in defined circumstances their Free Prior Informed Consent needs to be obtained. This is a major advancement over the existing OP4.10. ESS7 also includes provisions that (i) recognize that pastoralism can be a basis for being considered indigenous; and (ii) recognize and allow for some Indigenous Peoples groups to remain in voluntary isolation.

The World Bank has held extensive discussions with governments, civil society and with Indigenous Peoples leaders. The prevailing view from most stakeholders is that the World Bank should continue to have an Indigenous Peoples standard that affirms the World Bank's leadership role in inclusive development. In addition, the World Bank should not go against the progressive realization of Indigenous Peoples rights in recent years.

The first draft of the standard included an alternative approach for circumstances in which the identification of Indigenous Peoples could exacerbate civil strife or would be inconsistent with national law. For those cases, the first draft ESF provided protections for Indigenous Peoples through all other ESS rather than ESS7. This alternative approach was rejected widely during consultations because it was perceived to lack adequate protections for affected indigenous populations. Therefore, the alternative approach has been removed from the proposed standard.

However, Management continues to recognize that there may be rare instances when the formal comprehensive application of ESS7 may be inadvisable and could interfere with project-related benefits. In those instances, Management would follow the waiver process set out in the World Bank's Policy on Operational Policy Waivers. The World Bank historically grants only very few waivers of operational policies and is particularly careful about waiving requirements, especially those as sensitive as set forth in ESS7. Waivers could only be applied for the project at issue and in clearly delineated individual circumstances. Waiver requests would require the approval of the Board of Executive Directors. Given the high significance of such a proposition, the potential for a waiver request would need to be signaled by the Borrower as early as possible in the project life cycle. Management would make a detailed recommendation to the Board of Executive Directors, who would make the final decision on granting a waiver. Management would ensure that all documentation presented as part of the waiver process would include a complete coverage of the relevant issues.

55. *Changes in the second draft of ESS7 as compared to the first draft*

- The **alternative approach** clause for the applicability of the draft Indigenous Peoples standard has been deleted.
- The text related to impacts on land and natural resources subject to **traditional or customary ownership** and the legal recognition of Indigenous Peoples land rights has been clarified and strengthened.
- The text that limits further processing of project components for which FPIC cannot be ascertained has been modified to make it clear that **no adverse impacts** on the Indigenous Peoples concerned should result during the implementation of the project.
- The text related to relocation of Indigenous Peoples has been revised to clarify that the Borrower is required to obtain FPIC regardless of whether the **legal title** is held by Indigenous Peoples individually or collectively.

56. **ESS8: Cultural Heritage – *Recognition of cultural heritage, enhancing consultations***

ESS8 applies to all projects that are likely to have adverse impact on cultural heritage. It requires projects to adopt a chance finds procedure, together with other approaches for the protection of tangible and intangible cultural heritage. ESS8 requires that relevant stakeholders are consulted about cultural heritage. ESS8 identifies different types of cultural heritage, and sets out specific requirements where cultural heritage is to be used by the project for commercial purposes.

57. *Consultation feedback:* Feedback on ESS8 was mostly supportive. Issue experts argued for the inclusion of intangible cultural heritage.

58. *Discussion:* For some population groups, cultural heritage does not only encompass physical aspects of a project site. Practices, representations, knowledge, traditions, beliefs and other non-material aspects can be an important part of cultural and identity and practice and a relevant economic and social asset for development. This role of intangible cultural heritage must be taken into account when World Bank-supported projects affect cultural heritage.

59. *Changes in the second draft of ESS8 as compared to the first draft*

- The scope of application of the draft standard has been broadened to explicitly include **intangible cultural heritage** insofar as it relates to a physical component of a project.
- The concept of **legally protected cultural heritage areas** has been introduced.
- The text of the standard has been revised to be more **consistent** with other standards in the proposed ESF.

60. **ESS9: Financial Intermediaries – *Improving FI management capacity and focusing on high risk***

Given the widespread interest and concerns among stakeholders over how environmental and social considerations can and should be taken into account in intermediated lending, the World Bank has consolidated existing policy provisions related to FIs into one standard that also addresses the organizational capacity and risk management function within FIs. ESS9 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 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.

61. *Consultation feedback:* Stakeholders disagreed about the need for a separate standard regulating requirements for Financial Intermediaries. Some of the consultation participants that did identify a need for a separate standard argued that the ESSs should apply not only to intermediated lending subprojects with High Risk, but also to subprojects with Substantial Risk.

62. *Discussion:* The World Bank is committed to supporting sustainable financial sector development and enhancing the role of domestic capital and financial markets. When FIs assume responsibility for environmental and social assessment, management and monitoring, the World Bank must ensure that they adopt and implement effective environmental and social procedures to manage the environmental and social risks and impacts of the projects to which they lend in a responsible manner. Management has taken the view that this is well served by having a separate standard that regulates the format of the risk management according to the nature and the scope of funding provided by the FI.

63. *Changes in the second draft of ESS9 as compared to the first draft*

- The draft standard has been rephrased to make it a **stand-alone standard** for FI, removing as many references to World Bank actions as possible. These references are now included in the ESP.
- The applicability of the ESSs to subprojects has been changed. In the first draft, the ESSs were applicable only to High Risk FI subprojects. Now, the relevant aspects of the ESSs must be applied to any FI subproject that involves resettlement (unless the associated impacts are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health, biodiversity or cultural heritage.
- The FI is required to monitor the **risk profile** of FI subprojects and notify the World Bank of significant changes to the risk profile.
- The reference to the FI Environmental and Social Exclusion list was replaced by a requirement to screen all FI subprojects against any **exclusions** listed in the legal agreement.



64. **ESS10: Information Disclosure and Stakeholder Engagement – *Enhancing stakeholder engagement and meaningful consultation***

ESS10 recognizes that engagement with stakeholders, including affected communities and workers, is essential to achieving sustainable development outcomes in projects. 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 impact them; and requires a grievance mechanism to be established for addressing stakeholder concerns.

65. *Consultation feedback:* The draft ESS10 was recognized as a central building block for the World Bank’s approach to risk management. Stakeholders suggested to strengthen the proposed engagement process to ensure meaningful participation of stakeholders throughout the project cycle. They also proposed to strengthen grievance mechanisms available for project-affected individuals and communities.

66. *Discussion:* Management agrees that a rigorous process of stakeholder participation helps to improve the environmental and social sustainability of project outcomes, especially when a project is highly relevant for stakeholders or when they have significant concerns about the design and objectives of a project. Meaningful consultations should be held with all stakeholders in a manner appropriate to the nature of their interest and the potential environmental and social risks and impacts of the project.

67. *Changes in the second draft of ESS10 as compared to the first draft*

- The second draft standard adds the **assessment of stakeholder interest** in and support for a World Bank-supported project as a new objective of stakeholder engagement. Promoting and providing means for effective and inclusive engagement is also highlighted in the objectives.
- **Meaningful consultations** will be held with all stakeholders in a manner appropriate to the nature of their interest and the potential environmental and social risks and impacts of the project.
- Borrowers are required to maintain **records of engagement** with stakeholders throughout the life of a project.
- A requirement to retain **independent third party specialist** for stakeholder identification and analysis for significant risk projects has been introduced.

**E. Guidance for World Bank and Borrowers**

68. **The new proposed ESF is broader and, at the same time, clearer than the World Bank’s existing safeguard policies.** The package presented to CODE includes all mandatory materials for World Bank and Borrowers. As the World Bank and Borrowers gain further experience with the implementation of the new framework, mandatory rules will be supplemented

by additional non-mandatory Guidance developed to support World Bank staff and Borrowers. This Guidance may include, for example, templates or good practice case studies. Guidance will be designed to explain the application of the ESF in specific circumstances (e.g., in specific sectors) and with regard to specific issues (e.g., gender, disability, SOGIE, climate change).

## **F. Other Related Policies**

69. **The adoption of the proposed ESF may require appropriate adjustments to OP10.00** (Investment Project Financing) and to the World Bank's Access to Information policy to reflect terminology and timelines introduced in the ESF.

## **IV. CROSS-CUTTING DEVELOPMENT ISSUES**

70. **As anticipated in the 2012 Approach Paper, the safeguard review addresses a number of complex and evolving development issues that reach across the proposed Framework.** The following have been of particular concern to shareholders.

71. **Human rights.** Many of the investment projects the World Bank supports directly advance the attainment of human rights aspirations, including projects to promote better healthcare, education, social protection, and better access to such services. Key values underlying human rights, including respect for individual dignity, transparency, accountability, consultation, participation, 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.

72. *Consultation feedback:* Human rights have been among the most frequently discussed and contested topics during both consultations phases. Stakeholder views ranged from arguments for direct human rights references and a commitment to not fund human rights violations to agreement with the proposed wording in the first draft vision statement, which clarifies that the World Bank supports human rights and respects Borrowers' human rights obligations. Some stakeholders argued that the World Bank should expressly recognize and enforce the Universal Declaration of Human Rights and international human rights covenants.

73. *Discussion:* Management has considered exhaustively the many views expressed on this issue, as well as the legal and practical opportunities and constraints for the proposed ESF to support human rights outcomes at a project level, over and above the considerable impact that World Bank activities have as a whole. Management has also considered this issue in light of the World Bank's mandate, and that of other UN, international and regional agencies and tribunals, as well as the nature of the accountability system within the World Bank. All of this information has led Management to the firm view that it should refrain from proposing that Borrower human rights compliance be a standard requirement within the ESF. Management shares the aspirations that underlie the Universal Declaration of Human Rights, but cannot enforce Borrowers' fulfillment under this and other international instruments. However, Management is also committed to the

view that the World Bank has and should continue to have a strong record of achievement concerning human rights and, through its projects and many other engagements, it will continue to help countries meet the obligations they have made through international human rights instruments.

Within the proposed ESF, the intersection of human rights and the World Bank's contribution to their realization is addressed in the Framework Vision and through several key provisions in the standards. Specific human rights principles (e.g., non-discrimination, transparency, accountability) are incorporated throughout the entire framework. Within the proposed ESSs, the commitment to these principles starts with the Environmental and Social Assessment under ESS1. This obliges the Borrower to consider a range of social risks and impacts, starting with the overarching principle of non-discrimination. Identifiable risks with potential adverse impact must be addressed with a mitigation strategy. Such assessment and mitigation is subject to the Bank's review as part of its due diligence responsibilities under the proposed ESP.

74. **Climate change.** Climate change is among the most pressing development issues of this decade. The World Bank recognizes the fundamental importance of this issue and is developing an institution-wide strategy to address it. The effects of project-level safeguards in climate change are likely to be limited, but the proposed ESF includes a range of climate change considerations, including GHG emission estimation.

75. *Consultation feedback:* Throughout the consultations, some stakeholders argued that the proposed ESF should have explicit references to and provisions for climate change, climate adaptation, and climate resilience. While some suggested to integrate climate change considerations throughout the entire framework, others did not see the proposed Framework as the appropriate platform for climate change issues given ongoing climate treaty negotiations.

76. *Discussion:* A meeting of external climate experts held in the first phase of global consultations concluded that the World Bank could only have modest outcomes on addressing climate change at a project-level, where the proposed ESF is applicable.<sup>14</sup> Management agrees with the assessment of those experts that the World Bank's major contribution would be at a policy and dialogue level above that of project-level safeguards. Nevertheless, climate change is addressed in several of the new standards: in ESS1 covering environmental assessment, in ESS3 through resource efficiency and GHG estimation measures, in ESS4 through adaptation, and in ESS6.

77. **Use of Borrower frameworks.** Many Borrower countries, especially middle-income countries, have requested that the World Bank consider using national frameworks in order to meet the objectives and requirements of the ESSs. National environmental and social frameworks are comprised of domestic legislation, commitments under international agreements and the competent authorities, processes and practices which operationalize them. The use of national frameworks has the advantage of (i) creating a greater sense of ownership of the appraisal and management of environmental and social risks and impacts on the part of the Borrower; (ii)

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<sup>14</sup> A summary of this expert focus group on climate change is available online at [http://consultations.worldbank.org/Data/hub/files/meetings/Safeguards\\_Focus\\_Group\\_ClimateChange\\_MexicoCity\\_Summary\\_Final.pdf](http://consultations.worldbank.org/Data/hub/files/meetings/Safeguards_Focus_Group_ClimateChange_MexicoCity_Summary_Final.pdf).

reducing duplication of effort in carrying out both national processes to appraise and permit projects as well as World Bank processes; and (iii) allowing for the identification of developmental opportunities vis-à-vis Borrower frameworks.

78. *Consultation feedback:* There is broad consensus among World Bank member countries as well as civil society that a trend towards the increasing use of Borrower frameworks is, overall, welcome as it contributes to strengthening national institutions. Borrowers with high environmental and social risk management capacity expressed a strong preference for using their own environmental and social frameworks in World Bank-financed projects. On the other hand, concerns have been raised that the use of Borrower frameworks requires adequate capacity and may result in lower standards of environmental and social performance on projects where capacity is low or regulatory frameworks and their implementation are weak. It was emphasized that any methodology to determine whether Borrower frameworks are fit for the purpose of appraising and managing project environmental and social risks and impacts must be materially consistent with the objectives of the ESF. Some shareholders expressed concerns that the consideration or benchmarking of Borrower frameworks may be burdensome on the part of the Borrower and the World Bank.

79. *Discussion:* The World Bank has engaged in a lively debate on increasing the use of Borrower frameworks for many years. In 2005, the Board of Executive Directors approved an Operational Policy on Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP4.00). The lack of success of this policy is often attributed to the notion that a Borrower system could be approved in its entirety for use for World Bank-financed projects if the framework was deemed to be equivalent to the World Bank's framework.

However, the World Bank recognizes the tremendous potential to identify opportunities to strengthen national frameworks on an incremental basis, project by project, through the evaluation of Borrower frameworks. While the World Bank remains committed to promoting and strengthening the use of Borrower frameworks, concerns about capacity gaps and the strength of environmental and social requirements must also be addressed. Management proposes to give clear directions in the ESF that the standards set by the World Bank must always be met. During project appraisal, the specific time-bound actions and requirements that Borrowers must meet are included in the ESCP, which is attached to the project legal agreement.

Capacity building will be a particular focus in fragile and conflict-affected situations (FCS) and in countries with low capacity to assess and manage environmental and social risk. In these situations, the World Bank will work with the Borrower to identify priority areas for capacity building based on the track record of existing programs, evident capacity gaps and need for additional resources. This work will be funded from a variety of sources, including from the country's own resources, borrowing, reimbursable advisory services, donor funding and the World Bank's budget. In addition, Management will seek to establish a multidonor trust fund (MDTF).

The decision on whether aspects of a Borrower's framework can be used for assessing and managing environmental and social risks and impacts will be made by the World Bank. The specific approach to using Borrower frameworks for managing environmental and social risk will be defined in more detail throughout the next consultation phase.

## V. IMPLEMENTATION ARRANGEMENTS

80. **The proposed Framework will be underpinned by strengthened implementation arrangements.** Addressing a broader set of issues at the project level in a more systematic way requires strengthened capacity on the part of the World Bank and the Borrower. The introduction of the Framework will therefore be supported by a range of internal initiatives to strengthen project-level oversight and guidance, enhance staff skills, and improve operational support to borrowers during implementation. Lessons learned, including from IEG and in other MDBs, show clearly that these aspects are critical for the World Bank to deliver effectively on environmental and social sustainability in the investment projects it finances. Management commits to adequate resourcing to establish and maintain the new ESF and to ensure a high standard of implementation.

81. **The ESF will become effective after approval from the Board of Executive Directors..** It is envisaged that the ESF will apply to all newly approved IPF after the effective date of the ESF. Projects receiving initial approval by Management prior to the effective date of the ESF, will be subject to the World Bank's existing safeguard policies.

82. **Environmental and Social Frameworks similar to this proposal have been tested and implemented successfully by other MDBs. Nevertheless, the World Bank will test the applicability of the provisions of the proposed ESF through implementation trials.** Technical experts and task team leads throughout the World Bank (and in particular those working on energy, transport and infrastructure projects) will analyze the appropriateness of the proposed ESF (policy, standards and procedure) on the basis of existing project experience. This test phase commenced in May 2015 and will continue until final approval by the Board of Executive Directors. Management will address any need for revising provisions in the final draft ESF.

83. **The World Bank does not expect a significant increase in the burden of implementation resting with the Borrower.** Experience of other MDBs implementing frameworks similar to this one shows that a risk-based, outcome-focused approach offsets additional efforts required through an expanded coverage of environmental and social risk. Efficiency gains are achieved through using elements of Borrower frameworks where agreed between World Bank and Borrower. This opportunity to avoid redundancies will be beneficiary to the Borrowers as well as the World Bank. Efficiency will also be increased through clear assignment of roles and responsibilities, and adaptive risk management that allows a focused implementation of only the applicable elements of the ESSs. The proposed adaptive risk management approach allows Borrowers to scope projects and determine which risks and impacts need to be addressed and which are not applicable. This will allow Borrowers to focus resources on key issues rather than having to invest in analyzing and addressing issues that may not be relevant to the project.

84. **Accountability:** Clear accountability and decision making structures are critical for effective risk assessment and implementation with adequate checks and balances. Implementation will be managed within the following structure, core elements of which have already been set in place:

- *Environmental and social risk-related functions* within the Bank are carried out primarily by OPCS, GPGs (ENR: Environment and Natural Resources; SURR: Urban, Rural and Social Development), LEG (LEGEN), and members of the task teams;
- *The Chief Officer, Environmental and Social Standards* is responsible for formulating, updating and interpreting the ESF; ensuring the integrity of the ESF and the World Bank's due diligence process; and monitoring and reporting on the implementation of the ESF;
- *OPCS* is responsible and accountable for the general oversight of the Environmental and Social Framework;
- Two *Global Practices* (ENR; SURR) are responsible and accountable for the implementation of the Environmental and Social Framework;
- The *task teams* (including the ESF Accredited staff) are responsible and accountable for project level implementation support and monitoring activities;
- An *Operations Environmental and Social Review Committee* (OESRC), chaired by the Chief Officer, Environmental and Social Standards, will be established to provide advice and guidance on high or substantial risk, sensitive or complex projects and for challenging issues that arise during project implementation;
- The policy and project oversight and guidance function has been strengthened through an *Environmental and Social Standards Advisory Team* within OPCS, which includes the regional safeguards advisor teams, allowing for a more consistent approach to project oversight and quality assurance across the regions;
- A *coordination function* for the management of environmental and social issues will be established involving OPCS (Chair), LEG, ECR, Global Practices, and cross-cutting solutions areas.

85. **Monitoring and implementation support:** Strengthened implementation arrangements will include clear measures to ensure effective monitoring on the side of the World Bank. World Bank task teams will require the Borrower to provide a monitoring report, and will discuss and agree with the Borrower the content of the report. The report will be an accurate and up to date summary of the environmental and social performance of the project, focusing on the status of the environmental and social requirements, including the measures and actions set out in the ESCP. The World Bank will review the Borrower's monitoring report against the environmental and social requirements set out in the legal agreement, including the measures and actions set out in the ESCP. The review will consider the extent to which the Borrower is meeting the requirements of the legal agreement. In reviewing the monitoring reports, the Bank will pay particular attention to the effectiveness of the project's grievance mechanism and the extent of stakeholder engagement.

86. **If the World Bank concludes that the Borrower is not meeting the environmental and social requirements adequately, the World Bank will identify the areas of concern and discuss and agree with the Borrower remedial measures and actions, and a timeframe and cost for delivery of such measures and actions.** If necessary, the Bank will conduct site visits. Taking into account the extent to which the Borrower is not meeting the environmental and social requirements, the significance of the issues and the result of discussions and agreement with the Borrower, the TT will consider whether the risk classification of the project should be changed.

87. **Knowledge Sharing:** Thematic practice groups will be established to ensure consistent approach across the World Bank Group through development of guidance materials and tools.

88. **Environmental and Social Risk Management:** With the introduction of the Systematic Risk Assessment Tool (SORT) in October 2013, the Bank is systematically rating environmental and social risks as part of its overall risk assessment not only during project preparation, but also during implementation.

- **Assignment of technical expertise:** Management will assign properly accredited social and environmental specialists or consultants to all projects. Higher-risk operations will be supported by the most experienced environmental and social specialists.
- **Risk classification:** Under the ESF, the one-off rating of safeguards-related risks during project preparation according to an A, B, C classification will be upgraded to a regular, continuous assessment of environmental and social risks of all projects in four risk categories during preparation and implementation.
- **Portfolio risk scan:** The World Bank portfolio will be periodically scanned at various management levels to identify projects where additional attention and resources may be needed.

89. **Accreditation and Professional Standards:** An Accreditation Panel for Environmental and Social Standards (APESS), chaired by the Chief Officer, Environmental and Social Standards, has been established to develop core competency requirements and set professional standards for World Bank staff to be accredited as ESF Accredited staff; operate the ESF Accreditation Process; and monitor the adequacy of resources and competencies to effectively implement the ESF.

90. **Skills Development:** All relevant World Bank staff will follow mandatory training on policies in the new Environmental and Social Framework. A comprehensive training program is being prepared for roll out in CY16.

91. **Capacity Building:** Country capacity building will need to be appropriately funded, including from a country's own resources, borrowing, reimbursable advisory services, and the World Bank's budget. Management does not propose to increase baseline funding to support capacity-building work; rather, it will seek to establish an MDTF to which shareholders will be asked to contribute; several shareholders have already expressed an interest. The program of systemic capacity building at the country level will be commensurate with the funding available. Management will have continued dialogue on a program of strategic capacity building with CODE, discussing progress to ensure that Executive Directors are satisfied with the depth and reach of activities. Management will report to CODE on the program of strategic capacity building annually upon approval of the new ESF.

92. **Staffing:** All World Bank social development specialists are now part of a single group (the Urban, Rural and Social Development Global Practice), and all its environmental staff also located in one practice (the Environment and Natural Resources Global Practice). This organizational structure helps to pool resources, harmonize practices, share experience across regions, disseminate faster best practices and innovations, and assign more experienced staff to risky

projects. Environmental and social specialists engaged in compliance and oversight functions are located in OPCS.

93. **Resourcing:** World Bank Management commits to adequately finance due diligence and the implementation of the new ESF. Management is significantly increasing the available budget for safeguards management, a considerable effort in times of expenditure review and budget restrictions for the institution. Starting from CY16, safeguards funding will be protected and allocated based on coefficients, taking into account efficiency gains and quality improvements. This ensures adequate funding for i) carrying out current safeguard obligations in the pipeline and portfolio; ii) establishing the proposed ESF; and iii) implementing the proposed ESF.

94. **Management will pay close attention during the early days of implementation to making sure that implementing the new Framework sets precedents that capture operational efficiencies.** The new Framework should enhance efficiency, provide greater clarity, and reduce processing times. Management anticipates that the proposed adaptive risk management approach will support resource allocation to those projects and activities that require focused resources, while freeing up resources in other places. New requirements include broader responsibilities of World Bank environmental and social due diligence and expertise in areas previously not covered by the World Bank's safeguard policies, such as labor. Management will respond to this partially through additional resourcing, but in large part through staff training that will shift capacities toward more and more specialized experience. Strengthened risk management and accountability mechanisms, professional accreditation and a stronger focus on implementation support will have additional resource implications. The requirement to assess Borrower capacity will represent additional one-time costs. Additionally, Management anticipates the need for greater emphasis on supervising project implementation. Greater reliance on country frameworks – once they are in place – would require a deeper engagement throughout the project cycle beyond project preparation, but would also produce efficiency gains as World Bank and Borrowers and can work together based on existing structures.

95. **Cost categories** factored in the cost estimations of the proposed E&S Framework include:

- **Establishing the new ESF:** Resources will be needed to design and delivery of training; for capacity development activities in key Borrower countries; for development and implementation of a staff skill survey and professional accreditation system.
- **Implementing the new ESF:** In addition to efficiencies and cost savings, additional staff and resources will be needed mainly due to i) broader scope of work (e.g. social assessment of vulnerable groups, labor and working conditions, community health and safety, stakeholder engagement, grievance redress); ii) assessment of borrower frameworks; and iii) emphasis on risk-based approach and informed decision making.



## VI. NEXT STEPS

96. **Following discussion and endorsement by CODE of the proposed Framework, Management will launch Phase 3 of the review and update process.** Attachment 4 (will be provided for CODE) highlights key activities and an indicative timeline. Following CODE endorsement of the ESF and the consultation plan, this paper and the second draft ESF will be translated and publicly disclosed for Phase 3 consultations. The paper will be accessible online on a dedicated consultation website.<sup>15</sup>

97. **Feedback on the proposed Framework from stakeholders will be sought through several different channels.** Management will utilize online participation methods such as Live Chats and virtual expert meetings. Stakeholders will be invited to submit comments through the consultation website. In addition, Management will seek face-to-face dialogue with experts and development practitioners from governments, civil society, international organizations, and the private sector around the issues addressed in the proposed Framework. While Management does not plan to repeat the country consultations that were the focus of the two previous consultation phases, the World Bank will ensure that locations and participation in expert and practitioner focus groups is representative across regions and stakeholder groups.

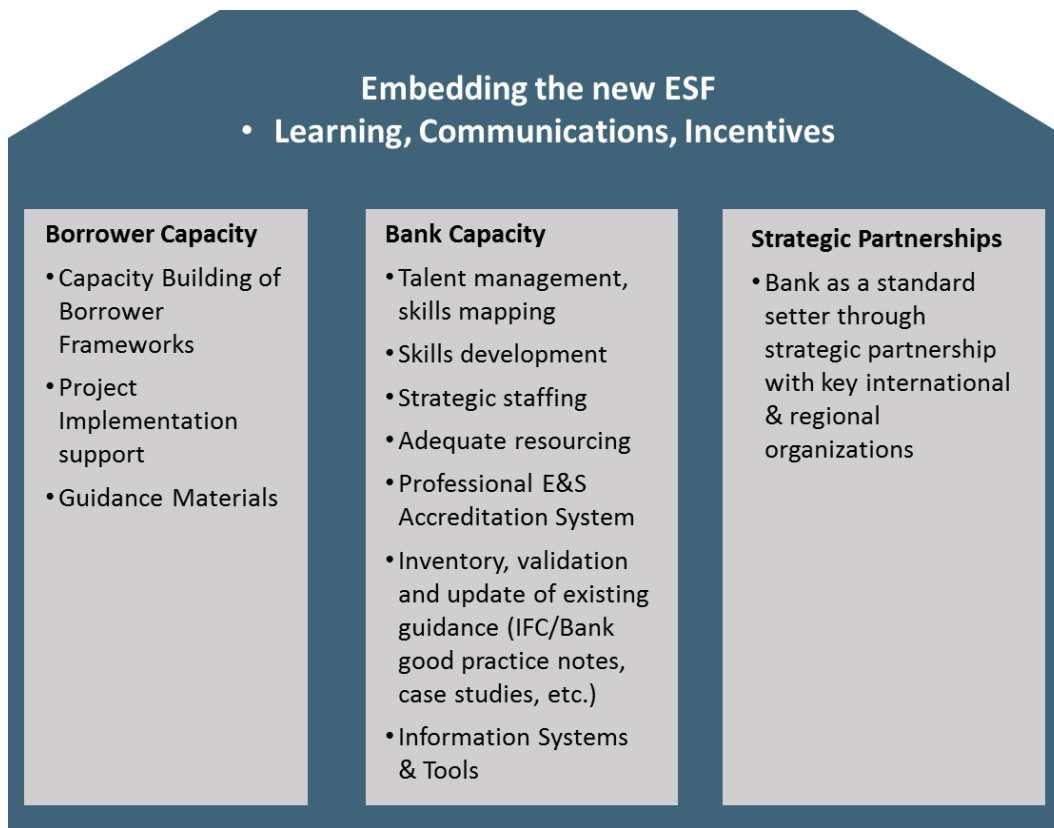
98. **Management envisages the next consultation phase to be conducted according to the World Bank's Consultation Guidelines and good practice for international consultation.** After conclusion of the third consultation phase, Management will analyze and consider stakeholder feedback for a third and final draft ESF.

99. **The final draft will be presented to Executive Directors for approval. Implementation is expected to start in 2016.** Roll-out and implementation of the proposed ESF will be prepared immediately after approval of the final framework. Following approval, Management will mobilize staff and resources prepare for the launch of the ESF. This phase will include awareness raising and outreach among staff, learning programs about the new ESF and the development of an incentive program for staff. Then Management will focus efforts on embedding the ESF in the World Bank's approach to protecting people and the environment in IPF through enhancing information systems and tools, providing project implementation support and building strategic partnerships with international organizations and other development partners. A schematic of the overall implementation approach is illustrated in Figure 2.

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<sup>15</sup> [www.worldbank.org/safeguardsconsultations](http://www.worldbank.org/safeguardsconsultations)

**Figure 2. Overall approach to implement the proposed ESF**



100. **Management will establish three groups across the relevant World Bank departments that will plan, lead, and monitor the roll-out and implementation of the ESF.** A *Steering Committee* will oversee implementation consist of the Vice President in charge of ENR and SURR, the Vice President, OPCS, the Senior Directors of ENR and SURR, and the Director of Operations Risk Management. An *Implementation Team* will lead the roll-out and operationalization of the ESF with the goal of mainstreaming the approach throughout World Bank IPF. The Implementation Team will include the relevant Directors as well as Lead Environmental and Social Standards Specialists of ENR and SURR, the Chief Environmental and Social Standards Officer, the Chief Counsel, Environmental and International Law, and the Lead Environmental and Social Standards Specialists in OPCS. A *Supporting Team* with communications and knowledge management specialists, practice managers, task team leaders, Environmental and Social Specialists, and consultants will provide implementation support.

101. **Reporting to the Board:** A comprehensive implementation plan will be presented to Executive Directors together with the third and final ESF. Following adoption of the Framework by the Board, a review of its implementation will be presented to the Executive Directors six months after approval and annually after that. Management also proposes to undertake a comprehensive review of the ESF after five years of implementation.

## VII. CONCLUDING REMARKS

102. **Modernizing and updating the World Bank’s system of managing environmental and social risk is imperative. The proposed ESF will be fit for purpose and will enhance protections for the poor and the environment in World Bank Investment Project Financing.** It includes new requirements to improve inclusive access to development benefits and to reduce adverse impacts of discrimination. The World Bank will strengthen its partnership with Borrowers through increased use of Borrower frameworks and close cooperation with Borrowers to build and strengthen their environmental and social risk management capacity. This ESF establishes the World Bank as a leader in financing sustainable development.

103. **The proposed ESF is the outcome of an extensive engagement effort, which is the largest undertaken by the World Bank or any other development partner to date.** The World Bank is a community of 188 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, as well as aspirations and development practice.

## ANNEX 1: THE CURRENT SAFEGUARD POLICIES

- 1. The World Bank's safeguard policies embody core values of the institution. The policies form the cornerstone of the World Bank's efforts to protect people and the environment and to ensure sustainable development.** They have served the World Bank, its Borrowers and the development community well over the past two decades and have provided an international standard for managing environmental and social project risks. In order to meet new and varied needs of Borrowers 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 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 on the environmental and social risks and opportunities associated with the development process. In 1984, the World Bank issued an Operational Manual Statement 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 Operational Manual Statements (OMS), frequently incorporating policy previously contained in the OMS,<sup>16</sup> and in other circumstances setting out new policy. Environmental Assessment was initially addressed in OD 4.00, Annex A<sup>17</sup> and was later replaced by Operational Directive 4.01 on Environmental Assessment. 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 in 1992 to gradually replace ODs by Operational Policies and Bank Procedures, the content of which would be binding on World Bank staff. Additional environmental and social policies were added subsequently to address specific environmental and social issues arising 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, which constituted the World Bank's main line of business at that time.** 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 ten Operational Policies as specific safeguard policies – six environmental, two social, and two legal policies<sup>18</sup> – to support compliance during project preparation and implementation.

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<sup>16</sup> Prior to the World Bank's reorganization in 1987, the operational policies were contained mainly in Operational Manual Statements (OMSs) and Operational Policy Notes (OPNs) which were both issued by the Office of the Senior Vice President, Operations, under the authority of the President.

<sup>17</sup> Operational Directive 4.00, Annex A: Environmental Assessment (1989).

<sup>18</sup> 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; OP 7.60 Projects in Disputed Territories. (The latter two

The proposed Framework provides a more coherent and consistent set of requirements that clearly distinguishes World Bank and Borrower obligations, addresses gaps and inconsistencies and clearly delineates values, policy statements, Borrower requirements and detailed procedural aspects.

5. **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 Financing (DPF) and Program for Results (PforR) are embedded in the respective operational policies (OP/BP8.60 and OP/BP9.00). As endorsed by Executive Directors in the Approach Paper (2012), DPF and PforR are not covered by the proposed Framework. Policy-level instruments require a different approach to managing environmental and social risk. The World Bank is currently conducting retrospectives of both PforR and DPF, including of their environmental and social aspects.

6. **A 2010 IEG evaluation conducted more than 20 years after the requirement for environmental assessment was first introduced showed that safeguard policies have been effective in avoiding or mitigating negative impacts.** The World Bank's Independent Evaluation Group (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.<sup>19</sup> IEG recommended a stronger focus on using the safeguard policies to support environmentally and socially sustainable development; to assess a wider range of potential social risks and impacts; improvements in supervision; and more efficient and effective approaches to monitoring, evaluation, and completion reporting. Following the IEG report, Management committed that same year that it would undertake a comprehensive update and consolidation of the World Bank's safeguard policies.

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policies, OP 7.50 and 7.60, are not part of the safeguard update. The review also does not include OP4.03 World Bank Performance Standards for Private Sector Activities.)

<sup>19</sup> "Safeguards and Sustainability in a Changing World: An Independent Evaluation of World Bank Group Experience," <http://go.worldbank.org/ZA4YFV9OLO>