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Operations Policy & Country Services

Setting Standards for Sustainable Development

Update and Review of the World Bank's Safeguard Policies

Case Studies in Indonesia

*Phase 3 Consultation in
Indonesia
January 26-28, 2016*

Objective

- Illustrate how projects would be treated under the proposed ESF
- Identify implementation challenges and opportunities
- Identify aspects that require additional clarification or operational guidance
- Discuss resources and capacity building

Case Studies

- Western Indonesia Road Improvement Project (WINRIP)
- General example of large infrastructure project in Indonesia

Western Indonesia Road Improvement Project

Western Indonesia Road Improvement Project

- **Objectives:** To increase the effective use of road sections along the Western Sumatera Corridor through:
 - Reduction of average passenger travel times by at least 20% on project roads;
 - Reduction of average vehicle operating cost for a typical car, bus and heavy truck;
 - Increase Average Annual Daily Traffic (AADT) as per traffic forecast.
- **Financing (US\$):** 350 million, including IBRD \$250 million and Borrower \$100 million
- **Components:**
 - (i) Betterment and Capacity Expansion of National Roads;
 - (ii) Implementation Support;
 - (iii) Road Sector Institutional Development; and
 - (iv) Contingency for Disaster Risk Response
- **Approved:** May 2011

- **Environmental Category:** B
- **Context:** The project interventions are **primarily upgrading of existing roads**. The project will have **mostly positive environmental and social impacts, but also some potentially negative impacts**.
- **Safeguards Triggered:** Environment Assessment (OP 4.01); Physical Cultural Resources (OP 4.11); Involuntary Resettlement (OP 4.12);
- **Safeguards Instruments:** ESMF and project specific EMPs; Resettlement Policy Framework (RPF) as part of ESMF; and sub-project specific Land Acquisition and Resettlement Plans (LARAPs)

ESS 1: Assessment and Management of Environmental and Social Risks and Impacts

- **Use of Borrower's E&S Framework:**
 - Upon request, the Bank would review the Borrower's Framework for the project.
 - The Borrower would provide published documents related to the Borrower's framework
 - The major effort falls upon the Bank.
- **E&S Commitment Plan (ESCP) would entail moderate effort and is similar to the preparation of the ESMP.**
- **Contractor Management was less than satisfactory. Under ESF, more focus on will be required as a key risk for a roads project.**

The expected additional level of effort is moderate

ESS 2: Labor and Working Conditions

- Indonesia is a signatory to relevant ILO conventions and has detailed national labor regulations that are in line with ESS2.
- World Bank Group (WBG) Environmental Health and Safety (EH&S) Guidelines continue to apply covering many aspects of Occupational Health and Safety.
- The project currently applies WBG EHS Guidelines and national laws and regulations.
- ESS2 would require additional procedures for managing and monitoring contractor performance.
- WINRIP had a grievance redress mechanism; ESS2 would require a grievance redress mechanism for all project workers.

The expected additional level of effort is low to moderate (because of detailed existing national legislation)

ESS3: Resource Efficiency and Pollution Prevention and Management

- EMPs prepared for the project already include detailed measures for pollution prevention at work sites.
- Annual estimation of Greenhouse Gas (GHG) emissions may be required, if emissions exceed the threshold to be established by the Bank

The expected additional level of effort is moderate

ESS4: Community Health and Safety

- The EMP already contains mitigation measures for:
 - traffic and road safety
 - hazardous materials
 - emergency preparedness.
- Mitigation measures were incorporated into the documents with the contractor
- Under the proposed ESF, the design of a project needs to take into account climate change, as technically and financially feasible.

The expected additional level of effort is low to moderate

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

- **There is no significant change from OP 4.12**
- **The project is expected to have land acquisition from road realignment.**
- **Key requirements of ESS5 have already been met by:**
 - **Consulting with stakeholders**
 - **Preparing resettlement framework and plans**
 - **Ensuring protocols for voluntary land donation**
 - **Implementing a grievance redress mechanism**
- **Additional effort would be needed to ensure women were consulted, their views are documented, and taken into account.**

The expected additional level of effort is low to moderate

ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

- Most of the sub-projects are carried out in an urban setting and do not cause impact on any critical habitat.
- Measures to avoid impacts to natural habitats have been included in the ESMP.

No additional effort is expected to meet the new standard.

ESS7: Indigenous Peoples

- OP 4.10 was not applicable as there are no IPs present in, or have a collective attachment to, the project area.

No additional effort is required to meet the new standard.

ESS8: Cultural Heritage

- Current policy on Physical Cultural Resources (OP 4.11) has been applied to the project.
- Road rehabilitation works will apply a chance-find procedure.
- ESS8 also applies to intangible cultural heritage, which includes practices, representations, expressions, knowledge, skills events or living traditions, ideas, beliefs, artistic and literary works

Additional effort required for this standard is low

ESS 9: Financial Intermediaries

- Presently there are no Financial Intermediaries (FIs) in the project.

No additional effort is required to meet the new standard.

ESS10: Stakeholder Engagement and Information Disclosure

- Under the proposed ESS 10, stakeholder engagement would be more systematic and would be conducted throughout the project life-cycle
- Scope, nature and frequency of engagement will be proportionate to the nature and scale of the project risks and impacts.
- The project did engage with stakeholders regarding land acquisition, including consultations and community monitoring.
- Under ESS10, Project would be required to prepare and implement a Stakeholder Engagement Plan (SEP) setting out timing and methods of engagement
- The project already has a grievance redress mechanism in place for persons affected by land acquisition, but may be required to expand this to all project-affected people.

The expected additional level of effort is moderate.

Example of a large infrastructure project

- **Project:** Construction of gas power plant and support facilities
- **Objective:** To increase mix of power generation capacity and expand transmission connectivity
- **Financing (US\$):** 300 million
- **Context:** World Bank is supporting the country in developing its energy strategy to address concerns about energy security and the environment

Possible Environmental and Social Issues:

- **Air pollution**, noise, water use and wastewater from the plant
- **Community and worker safety issues**, such as construction risks, explosions and fire risks and traffic safety
- **Land acquisition** for the plant and access road
- Impact on **biodiversity** and **cultural heritage**
- Impact on **Indigenous Peoples**



1. Overview

The Borrower will assess, manage and monitor the environmental and social risks and impacts of the project so as to meet the requirements of the Environmental and Social Standards (ESSs) in a manner and timeframe acceptable to the Bank.

What does the Borrower have to do?

- Propose and design the project
- Carry out stakeholder engagement and disclose project information
- Carry out environmental and social assessment
- Agree an Environmental and Social Commitment Plan (ESCP) with the Bank, and implement it
- Monitor and report on the project

How do the Environmental and Social Standards work?

- The ESSs help the Borrower address the adverse risks and impacts of the project in a systematic manner, by focusing on project risks and outcomes:
- *The desired outcomes are described in the objectives of each ESS*
- *Each ESS sets out specific requirements to help Borrowers manage environmental and social impacts in a manner that is appropriate to the nature and scale of the project and the impacts.*

How does the timing of mitigation work?

- The Borrower will **not** carry out any project-related activities that may cause material adverse environmental or social risk or impacts until the mitigation measures have been completed as required by the ESCP.



2. Environmental and Social Assessment

What is the Borrower required to?

- Conduct a scoping exercise to identify potential environmental and social risks and impacts
- Evaluate the direct, indirect and cumulative environmental and social risks and impacts

How will the Borrower manage the risks and impacts?

- Avoid risks and impacts
- Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels
- Where residual risks or impacts remain, compensate or offset them, where technically and financially feasible

What is new?

- The Borrower and the Bank will develop an Environmental and Social Commitment Plan (ESCP)
- The ESCP is a record of the agreed actions that will be carried out
- The ESCP will be developed based on the identification and evaluation of the risks and impacts, and agreed with the Bank

What is the Bank's role?

- Advise and support the Borrower during project preparation and implementation
- Help the Borrower to identify risks and impacts, and decide how to assess and manage them in the most effective way
- Agree the measures and actions set out in the ESCP and legal agreement with the Borrower
- Prepare and disclose an Environmental and Social Review Summary
- Provide operational support and oversight in accordance with the Bank's classification of the project's risk (*High, Substantial, Moderate or Low*)

3. Use of Borrower's Environmental and Social Framework

A change of emphasis, of starting point.....

Use the Borrower's existing ES framework for the preparation and implementation of the project, if it:

- addresses the risks and impacts of the project
- will enable the project to achieve objectives materially consistent with the ESSs

What will the Bank look at?

- What the Borrower has in place for the preparation and implementation of the project, and how this addresses the environmental and social risks of the project
 - The policy, legal and institutional framework, including national, subnational, or sectoral implementing institutions
 - Applicable laws, regulations, rules and procedures
 - Implementing capacity
 - Track record of implementation

What does this mean?

- The Borrower's rules and implementation are the starting point for the project
- The Bank wants to understand how these work together, and whether they can achieve the objectives of the ESSs
- The Bank focuses on the objective in ESS1 which requires the Borrower to identify, evaluate and manage the environmental and social risks and impacts of the project, in accordance with the mitigation hierarchy
- The Bank will assess the Borrower's existing ES framework and help the Borrower address gaps
- The Bank will pay particular attention to significant risks and impacts
- The Bank will review the Borrower's documents, and build on these
- The Bank will carry out monitoring, and support the Borrower to achieve the outcomes required



4. Stakeholder Engagement

What is the Borrower required to do?

- Identify stakeholders, and develop a stakeholder engagement plan that describes the timing and methods of engagement with stakeholders throughout the project life-cycle
- Provide information to stakeholders as early as possible and on an ongoing basis
- Continue a dialogue with stakeholders in a manner appropriate to the nature of their interests and the risks and impacts of the project
- Take account of stakeholder views throughout the life of the project

Who is a “stakeholder”?

- **Project-affected parties**, those affected or likely to be affected by the project
- **Other interested parties**, who may have an interest in the project. They will vary depending on the details of the project, and may include local communities, national and local authorities, neighboring projects, and NGOs etc.

Why identify stakeholders?

- Better project design and outcomes
- Facilitate understanding and build support for the project
- Management of risks, supporting timely delivery of the project

What is new?

- Building on current requirements for consultation
- Develop a stakeholder engagement plan proportionate to the nature and scale of the project and its potential risks and impacts
- Broaden the availability of a grievance mechanism for project affected parties

5. Non-discrimination and Vulnerable Groups

When is this relevant?

- As part of the ES assessment and stakeholder engagement

What is new?

If ES assessment of the project identifies specific individuals or groups as disadvantaged or vulnerable, ***the Borrower will propose and implement differentiated measures*** so that:

- adverse impacts do not fall disproportionately on disadvantaged or vulnerable groups
- they are not disadvantaged in sharing project related development benefits and opportunities

What makes an individual or group disadvantaged or vulnerable?

Because of their particular circumstances, they are:

- More likely to be adversely affected by the project impacts
- More limited than others in their ability to take advantage of a project's benefits

What does this mean for a project?

The ES Assessment will identify different measures to address the risks and impacts of the project, for example:

- health impacts on children and the elderly
- the impacts of construction traffic (safety, noise) on the community, especially children

6. Labor and Working Conditions

Why should the project be concerned about this?

- Key aspect of the development outcomes of the project
- Many projects require large numbers of different types of workers
- Almost all countries have comprehensive national systems dealing with employment and occupational health and safety
- Better to have a systematic way of managing workers, as they are all working on the Borrower's project

What does the Borrower need to do?

- It depends whether the worker is employed directly by the Borrower or by a third party
- Third parties include contractors, sub-contractors, agents, brokers and intermediaries
- The Borrower will have labor management procedures, and make sure that third parties have the same
- The Borrower will have procedures for managing and monitoring the performance of third parties

Why does this apply to community labor?

- Requirements apply only in a manner proportionate to the type of the project, the specific project activities and the nature of the potential risks and impacts.
- Even if it is the community, risks still exists and should be addressed
 - Is the community labor provided on a voluntary basis?
 - is there a risk of harmful child labor or forced labor?
 - Are the community workers exposed to safety issues?

How does this apply to primary supply workers?

- The focus is on significant risks of harmful child labor and forced labor and serious safety issues
- These are workers involved in providing essential goods or materials to the project on an ongoing basis
- It is recognized that the ability of the Borrower to address these risks will depend on the Borrower's level of control or influence

How will the Borrower provide a grievance mechanism for all workers?



7. Workers' Health and Safety

Why is this important?

- Many projects employ different types of workers
- Construction is inherently dangerous, so efforts should be made to minimize risks
- Workers interact with the community and other stakeholders

What does the Borrower need to do?

Ensure the project has systems and processes in place to make sure:

- Risks to workers are identified and addressed
- Workers are trained on an ongoing basis
- There is coordinated management of all workers, including third party workers
- Adequate basic services are provided for workers
- Workers can report dangerous situations
- There is regular review of the occupational health and safety performance of the project

Is this new?

- Already required by national law and the Environment, Health and Safety Guidelines (**EHSGs**)
- Already implemented in many projects



8. Community Health and Safety

What is the Borrower required to?

- **Avoid or minimize community exposure to:**
 - Different types of diseases (measles, malaria, HIV, etc.)
 - Hazardous materials and substances
 - Traffic and road risks
- **Ensure infrastructure is properly designed and certified, and considers:**
 - The range of possible risks (natural hazards, accidents)
 - The impacts of climate change (extreme weather conditions)
 - Access and other good design features
- **Supervise security arrangements**
 - Train and monitor
 - Proportionate use of force
 - Act within legal requirements
 - Review allegations of unlawful or abusive acts
- **Prepare for emergency events**
 - Have a plan and know how to implement it
 - Discuss the plan with affected stakeholders, and make sure they understand what to do
 - Review plan regularly, and conduct training

Is this new?

- Much of this is already required by national law and the Environment, Health and Safety Guidelines (EHSGs)
- Already implemented in many projects



9. Land Acquisition and Involuntary Resettlement

Is this new?

- Most of the existing requirements have been integrated into the new proposal
- Requires mitigation of risks and impacts, livelihood restoration and consideration of development opportunities

Has the position on informal occupants or squatters changed?

- Some flexibility has been introduced, where squatters derive substantial income from multiple illegal rental units. In such cases, compensation may be reduced with the prior agreement of the Bank to better reflect the objectives of ESS 5

Does the objective of avoiding forced eviction mean a Borrower cannot exercise eminent domain?

- The Borrower will not resort to forced evictions of affected persons
- A 'forced eviction' means the Borrower is acting without following proper process, including the procedures and principles set out in ESS 5
- The Borrower can exercise eminent domain, compulsory acquisition or similar powers if the exercise of these powers:
 - complies with the requirements of national law and the provisions of ESS5
 - is conducted in a manner consistent with basic principles of due process (including provision of adequate advance notice, meaningful opportunities to lodge grievances and appeals, and avoidance of the use of unnecessary, disproportionate or excessive force)



10. Indigenous Peoples

Criteria for identifying Indigenous Peoples has not changed from current policy

- No requirement to use term '*Indigenous Peoples*'
- Other appropriate terminology can be used

What is the Borrower required to do?

In a culturally appropriate manner:

- Conduct meaning consultation proportionate to the scope and scale of potential risks and impacts of the project.
- Identify mitigation measures as well as opportunities for sustainable development benefits.

What is new: Free, Prior and Informed Consent (FPIC), what is it and when is it needed?

- Only required in three specific circumstances:
 - have **impacts on land and natural resources** subject to traditional ownership or under customary use or occupation;
 - **cause relocation** of Indigenous Peoples from land and natural resources subject to traditional ownership or under customary occupation or use; or
 - have significant impacts on Indigenous Peoples' cultural heritage.
- FPIC is not a veto; it does not require unanimity and may be achieved even when IP individuals or groups explicitly disagree
- Established through good faith negotiation between the Borrower and the affected IPs
- The Borrower will document:
 - the mutually accepted process between the Borrower and IPs
 - evidence of agreement between the parties on the outcome of the negotiations

What happens if FPIC is not established?

- The Bank will consider whether to support the project
- The aspects of the project relevant to those IPs will not be processed further
- The Borrower will ensure that there are no adverse impacts on the IPs during the project implementation.

11. Biodiversity

What is this about?

- Biodiversity (critical habitat, natural habitat, modified habitat etc.)
- Living natural resources (timber, crops, livestock animals, fisheries etc.)

Why are these important?

- Fundamental to sustainable development
- Maintain ecological functions of habitat, including delivery of priority ecosystem services
- Produce benefits for people and community

What are the requirements on biodiversity offsets?

- Biodiversity offsets are a last resort, to be used only when all other appropriate mitigation measures have been applied
- At a minimum, offsets must result in no net loss; for critical habitats they must result in a net gain on an sustainable basis
- Some impacts cannot be offset and the Borrower will have to redesign the project
- If an offset is being considered, the Borrower will engage qualified experts to advise

What is new: Primary suppliers

- Relates to the purchase of primary production for the project (food, timber, commodities) from areas where there is a risk of significant conversion/degradation of natural or critical habitats
- The Borrower will assess systems and processes of the primary supplier
- A 'primary supplier' is a supplier who, on an ongoing basis, is providing directly to the project goods or materials which are essential to the project

12. Cultural Heritage

What does this focus on?

- Tangible cultural heritage (objects, sites, structures, etc.)
- Intangible cultural heritage (practices, knowledge, artistic and literary works, etc.)

Why are these important?

- Source of valuable scientific and historical information
- Economic and social asset for development
- Integral part of cultural identity and practice

What is new: Intangible cultural heritage

- The requirements apply only when intangible heritage relates to a physical component of the project
- Where a project intends to use intangible cultural heritage for commercial purposes:
 - Inform the project affected parties of their rights under national law; the scope and nature of the project; and potential impacts and consequences
 - Carries out meaningful consultation; provides for fair and equitable sharing of benefits from commercialization; and identify mitigation measures

13. Climate Change and GHG Emissions

What is new?

- Over a specific threshold, estimations of Greenhouse Gases (GHG), where technically and financially feasible
- Estimation is already an requirement for Bank staff in energy, forestry and agriculture projects (the same requirement for transport, water and urban projects will be introduced by mid-2017)

What will be estimated?

- **Direct emissions** from the facilities owned or controlled within the physical project boundary
- **Indirect emissions** associated with off-site production of energy used by the project (off-site generation by others of electricity, heating and cooling energy used in the project)

How will the estimation be done?

- Annually in accordance with internationally recognized methodologies and good practice (Bank will provide guidance)

Is there a requirement to reduce GHG emissions?

- The Borrower will consider alternatives and implement technically and financially feasible and cost-effective options to avoid or minimize project-related GHG emissions during the project design and operation



14. Associated Facilities

What are Associated Facilities?

Facilities or activities that are not funded as part of the Bank-supported project, but are:

- Directly and significantly related to the project; and
- Carried out, or planned to be carried out, contemporaneously with the project; and
- Necessary for the project to be viable and would not have been constructed or expanded if the project did not exist

What is the Borrower required to do?

- Apply the ESSs in addressing the risks and impacts of the Associated Facilities in a manner proportionate to the Borrower's control or influence over them
- Demonstrate the extent to which it cannot exercise control or influence over the Associated Facilities by providing details of the relevant considerations, which may include legal, regulatory and institutional factors
- If the Borrower cannot control or influence the Associated Facilities, the environmental and social assessment will identify the risks and impacts the facilities may present to the project

Is this new?

- Provides clearer project boundary



Discussion



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Discussion: Capacity and Implementation Challenges

- What are the implementation and resource implications for Borrowers?
- What can the Bank do to mitigate additional burden and cost?
- How can the implementation of projects be made more efficient?
- How can the Bank support capacity building?
- Are there specific areas of focus, and approaches?
- Approach to implementing the ES Framework in situations with capacity constraints, e.g., Fragile and Conflict-affected Situations (FCS), small states and emergency situations?



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