



World Bank

Review and Update of the World Bank's Environmental and Social Safeguard Policies

Meeting with Private Sector and Consultancy Representatives World Bank Office, Jakarta, Indonesia

March 22, 2013

This consultation meeting with private sector and consultancy representatives was chaired by Stephen Lintner, Senior Advisor, Safeguards; Peter Leonard (Regional Safeguards Adviser, East Asia Pacific) and Juan Martinez (Safeguards Coordinator, Indonesia).

Comments and questions from the participants included the following:

- What is the role of borrower countries and project beneficiaries / project-affected persons (PAPs) in designing the safeguard concepts and policies and how effective can the World Bank's safeguard framework be when the past safeguard standards were created with very little participation and contribution from communities and development aid recipients?

The Bank team noted that the Bank has modified its past approach and now provides more support for country systems, recognizing that these systems have become more technically sophisticated and elaborate. The team cited previous good experience with the Polish government in the design of an environmental management project, in regards to country and community buy-in and design. Matching of project design and preparation cycles between donors and borrowers is important, as is following the principles of the Paris Declaration (i.e., mutual responsibility, accountability, and transparency, when designing responsive, accountable development projects).

- Many stakeholders in Indonesia are likely to ask specific questions about the consultations process. Is there a national focal point for discussions on safeguards? Where can queries, criticisms, and inputs be directed on this issue? The Government's tendency to dilute decision-making responsibility through various focal points, working groups, and task forces will be an impediment to this process; as well as their likely preoccupation with ongoing international fora and global processes, including free trade agreements and international negotiations on a host of issues. A further concern is that the constantly shifting political landscape may preclude the Government from taking a firm stance on safeguard review and strengthening.

The Bank team noted that with respect to the safeguards process, there is no designated focal point within the Government of Indonesia (GOI), though the Bank's designated counterpart is the Ministry of Finance. The results of the global safeguards review will be presented to the Board of Executive Directors of the World Bank, where Indonesia has a country representative, but this does not preclude non-governmental entities and individuals, including CSOs, academics, think tanks and others from providing their own inputs on safeguards issues, which can be done through the Bank's website on safeguards consultations (www.worldbank.org/safeguardsconsultations).

- What is the ratio between Bank lending operations and project supervision? And can/will the Bank stop lending operations if sufficient risks are detected, because there is also the risk that the World Bank and other international financial institutions will keep targeting increased loans and lending portfolios in order to expand their bottom line?

The Bank team noted that the Bank gives safeguard considerations significant weight, inasmuch as sufficient risks will prevent a project from being approved. There have been several cases of projects that have been cancelled or suspended because of safeguard concerns. Internally within the Bank there has been a long process of shifting from an ‘approval’ culture to an ‘appraisal’ culture. One result of this shift has been larger country offices, with more safeguard specialists working closer to project areas.

- The World Bank has a serious perception problem on the ground, particularly amongst civil society organizations that associate the Bank with burdensome and unfair loan agreements. For Bank-financed projects, more consultations need to be done outside of Jakarta and closer to the project sites, particularly at the province and district levels.
- To what degree are the World Bank safeguard standards aligned with IFC (International Finance Corporation) Performance Standards, particularly on the issue of free, prior and informed consultation or consent?

The Bank team agreed that more Bank-financed project consultations need to be done outside of Jakarta, and explained briefly the IFC’s role as a financial institution focusing on private sector investment. The team noted that IFC has updated its performance standards since January 2012. In terms of consent, the team acknowledged that the Bank still considers free, prior and informed consent as requiring broad based community support, but said that that was one of several issues that this safeguard review will examine in greater depth.

- How can communities be included more in deliberations on safeguards and their implementation? If the Bank is concerned about principles of good governance – transparency, accountability, participatory decision making – then it would be important for safeguard standards and consultations to be conducted in local languages at the project- and site-level.
- During project preparation affecting local communities, does the World Bank provide mechanisms to file inputs, queries and grievances regarding a project?

The Bank team noted that during the project's design, several social and environmental assessment processes are conducted, including the identification of Indigenous Peoples (IP) groups. If these communities do exist and are affected by the project, the social assessment will be conducted, and will include an analysis of how the communities are organized and how they can participate in project design if they so choose. The IP Plan is likely to be presented and prepared during design, then will be followed and its activities monitored during the implementation phase.

- How will safeguards and social protection measures be devised following the Bank’s recommendation in the March 2013 Indonesia Economic Quarterly (IEQ) report that GOI fuel subsidies be reduced. Specifically, how can safeguard policies mitigate impacts to communities that will be impacted by Bank advice that may/may not be adopted by GOI?

The Bank team explained that the IEQ was one of several regular analytical reports not tied to lending, and that these analytical services were part of a broader development agenda and work plan with the GOI.

- A participant asked about the World Bank and IFC environmental and social assessments, specifically on their work to support AMDALs (Environmental Impact Assessment) within the GOI's practice.

The Bank team explained that the Bank's support to the AMDAL process has included bringing global best practices to national policy discussions. There has also been a process to decentralize AMDAL development and ensure that implementation on the ground is stronger and better. With respect to consultations, the best practice was to continue providing comprehensive coverage of potential environmental and social impacts, continue looking for alternative solutions if they exist, and pursue appropriate consultations with stakeholders – the latter are hard and time consuming, but if done well then there is more harmony when projects go forward in the appraisal process. From the Bank's experience, consultations should start with government agencies discussing and sharing information amongst themselves.

- What has the Bank done to mitigate environmental degradation in Kalimantan?

The Bank team noted that the Bank is advising the Government to adopt Strategic Environmental and Social Assessments (SESA) as a comprehensive tool in the planning process – across all sectors including mining, but several ongoing projects have developed SESA activities around REDD+. In Central Kalimantan the Bank is developing an engagement strategy targeting three main activities: developing an appropriate REDD+ pipeline of activities and linking the National and Regional (C.Kal) strategies working at the community level to support more effective community-led and participatory planning activities; and working in the Ex Mega Rice Project (EMRP) area via the Kalimantan Forests and Climate Partnership. In the mineral sector, the Bank is providing technical support (via a Development Policy Loan) on how the Ministry of Energy and Mineral Resources (ESDM) can raise funds from mining and extractive companies for future environmental regeneration.