REVIEW AND UPDATE OF THE WORLD BANK’S SAFEGUARD POLICIES

PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

BACKGROUND PAPER

September 2, 2014
ABBREVIATIONS AND ACRONYMS

BP     Bank Procedures
CODE   Committee on Development Effectiveness
DPL    Development Policy Loan
ECR    External and Corporate Relations Department
EHSG   Environmental, Health and Safety Guidelines
ES     Environmental and Social
ESCP   Environmental and Social Commitment Plan
ESS    Environmental and Social Standard
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
LEG    Legal Department
MDB    Multilateral Development Bank
OD     Operational Directive
OMS    Operational Manual Statement
OP     Operational Policy
OPCS   Operations Policy and Country Services
PforR  Program for Results
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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 its partner countries. The World Bank is updating the institution’s safeguard policies and proposing a new Environment and Social Framework in order to deliver efficiently on the two goals while also supporting more sustainable use of resources, promoting social inclusion, discouraging discrimination, and being mindful of the economic burdens development can place on future generations. While the current safeguard policies have served the World Bank, its Borrowers and the development community well during more than two decades, new and varied development demands and challenges have arisen over time. The Bank’s awareness of environmental and social issues and expectations has evolved, and this review and update aims to reflect this. The Bank represents a community of over 180 countries with vastly differing characteristics and values. Civil society stakeholders have expressed a wide range of views on how the World Bank should move forward in the safeguards review. This Framework seeks to present a balanced position on the way in which the World Bank should address the environmental and social issues associated with investment projects.

2. The Proposed Environmental and Social Framework uses a risk-based approach to environmental and social risks and impacts, with succinct and clear provisions for efficient application. The Proposed Framework provides for proportionate allocation of skills and resources where projects most need them, while the overall approach to managing environmental and social risks and impacts is not diluted. 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 (a) introduces the Proposed Framework; (b) summarizes the process and rationale for its development; and (c) provides an overview of its structure and content, highlighting the main features and improvements.

3. 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 October 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. There were dedicated meetings with Indigenous Peoples and project-affected people as well as expert meetings on “emerging issues” such as climate change, human rights, labor issues, and land tenure. In parallel a global review of good practices and lessons learned was conducted, including a review of the relevant policies of other MDBs. These consultations and the review culminated in the preparation of the Proposed Environmental and Social Framework. Great care was taken to strike the right balance between competing demands, needs, and aspirations and to ensure that the current approach will not be diluted.
Proposed Environmental and Social Framework

4. The Proposed Environmental and Social 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 procedure and eliminates duplication and overlap. The Framework will also bring the World Bank into closer alignment with other MDBs.

5. The World Bank is proposing a three-tiered framework that addresses environmental and social issues in an integrated fashion. An introductory “Vision for Sustainable Development” expresses the World Bank’s values and aspirations for supporting the sustainable use of resources, promoting social inclusion, and limiting the economic burdens on future generations. The World Bank Environmental and Social Policy sets out the mandatory requirements for the World Bank in relation to its investment projects. The Environmental and Social Standards (ESSs) 1-10 set out the mandatory requirements for projects to be carried out by the Borrower. The Proposed Framework will be supported by non-mandatory guidance, which will be developed as the review process progresses.

6. The proposed Environmental and Social Policy and the ESSs preserve the substance and the well-proven core principles of the existing safeguard policies, while clarifying and expanding some policy provisions. The proposed Policy establishes more clearly the mandatory World Bank requirements in relation to projects supported through investment financing. This will ensure that the substance of the current safeguard policies will not be diluted in the new Framework.

7. The World Bank will improve operational efficiency and focus more on the risks for and impacts on people and the environment by moving toward a risk-based classification of projects. This will allow for better allocation of staff skills and prioritization of World Bank as well as Borrower resources to where they are most needed: on higher risk projects.

8. Ten ESSs are proposed for projects, covering in a proportionate way the broad range of issues raised by shareholders, CSOs and World Bank staff during the extensive stakeholder engagement in the first phase of the review and update process. These establish the Borrower’s responsibilities to provide adequate protection for people and the environment in Bank-financed investment projects. The ESSs are harmonized with those of other MDBs and cover the Assessment and Management of Environmental and Social Risks and Impacts (ESS1); Labor and Working Conditions (ESS2); Resource Efficiency and Pollution Prevention (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 ESS2 and ESS10, applies to all projects. It strengthens provisions for social assessment. It provides clearer project definitions for Borrowers, introduces a clear and actionable risk management system and moves toward a more harmonized approach with other development partners.

• **ESS2: Labor and Working Conditions** requires Borrowers to address key labor-related issues, including child labor and forced labor, and the provision of a grievance mechanism. Capturing the relevant parts of the Environmental Health and Safety Guidelines (EHSG), it includes requirements relating to Occupational Health and Safety.

• **ESS3: Resource Efficiency and Pollution Prevention** incorporates key provisions of OP4.09 (Pest Management) and includes the efficient management of energy, water and other resources and material input. It also requires the Borrower to consider options to reduce project-related greenhouse gas (GHG) emissions.

• **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, products, 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) and provides greater clarity on the treatment of public land, land titling activities, access to common resources, and voluntary transactions. It addresses the rights of different categories of affected people, including those without legal right or claim 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 loss of habitat, degradation and invasive alien species.

• **ESS7: Indigenous Peoples** maintains key provisions of OP/BP4.10 (Indigenous Peoples), clarifies key definitions and introduces Free, Prior and Informed Consent (FPIC) in specified circumstances. It proposes that where identifying Indigenous Peoples would exacerbate ethnic tension or be inconsistent with the provisions of the national constitution, project impacts on Indigenous Peoples may be addressed through the application of the ESSs other than ESS7.

• **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 internationally recognized procedures for the protection of cultural heritage, and provides for enhanced consultation with affected communities.

- **ESS9: Financial Intermediaries** 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.

- **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.

9. **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 Fiscal Year 2016 and will replace the following Operational Policies and Bank Procedures: OP/BP4.00, OP/BP4.01, OP/BP4.03, OP/BP4.04, OP4.09, OP/BP4.10, OP/BP4.11, OP/BP4.12, OP/BP4.36 and OP/BP4.37.

10. **The Proposed Environmental and Social Framework integrates the World Bank’s commitments and principles with the key findings identified through global multi-stakeholder consultations to propose practical, project-level applications.** While this Proposed Framework will not by itself guarantee sustainable development, its application is expected to provide the necessary foundation to work toward that objective. To this end, the Proposed Framework provides greater clarity for implementation and clear lines of responsibility and accountability between the World Bank and the Borrower.

11. **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.
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 its partner countries. As elaborated in the World Bank Group Strategy, a key aspect to achieving these goals is supporting more sustainable use of resources, ensuring social inclusion, and limiting the economic burdens on future generations. Inspired by this vision, the World Bank is updating the institution’s safeguard policies and developing a new Environment and Social Framework.

2. 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. During this time, the World Bank’s safeguard policies provided an international standard for managing project risks. In order to meet new and varied needs of Borrowers in a world with new social and environmental challenges, the World Bank has launched an extensive review and update of these policies.

3. The purpose of this paper is to introduce an updated and modernized approach to protecting and upholding the World Bank’s environmental and social values. While the Framework by itself will not guarantee sustainable development, its proper implementation will ensure the application of standards as a necessary foundation for achieving that goal. The Proposed Framework is designed to reflect the World Bank’s leadership in sustainable development across the public sector, to promote alignment among development partners and provide a leading example for activities outside the scope of World Bank supported projects. It will be complemented by internal reforms and efforts to enhance staff capabilities and effectiveness to support its application.

4. The review and update process has covered some of the most sensitive and challenging issues for the World Bank, where shareholders and stakeholders have varied and often opposing views. The Proposed Framework represents a careful balance of many different considerations. The provisions in the Proposed Framework are designed to support aspirations for sustainable development within the realities and constraints of the World Bank’s work. These aspirations stem from a belief that economic improvements and environmental and social progress are mutually dependent. By necessity, the proposals set out in this Framework represent a pragmatic balance of diverse views and needs of the World Bank’s shareholders and stakeholders, and reflect the realities of project development.

5. The Framework maintains the World Bank’s long-established core principles, while at the same time responding to new challenges. The World Bank is dedicated to ensuring rigorous environmental and social risk assessment, the safety of workers and project beneficiaries, the rights of Indigenous Peoples, and the protection of natural habitats and cultural heritage. At the same time, this Proposed Framework will be instrumental in increasing effectiveness, efficiency, and delivery of projects; it will promote stronger partnerships with Borrowers; and will respond to emerging environmental and social risks and impacts.
II. THE CURRENT SAFEGUARD POLICIES

6. 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.

7. 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, and in other circumstances setting out new policy. Environmental Assessment was initially addressed in OD 4.00, Annex A 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 the World Bank 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.

8. The current suite of safeguard policies was designed to help the World Bank address environmental and social issues arising from Investment Project Financing (formerly referred to as Investment Lending) for 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 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 – to support compliance during project preparation and implementation. 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.

9. 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 Lending (DPL) and Program for Results (PforR) are embedded in the respective operational policies (OP/BP8.60 and OP/BP9.00). Similar to the

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1 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.
approach of other MDBs, DPLs and PforR are not covered by the Proposed Framework. In practice, policy-level instruments require a more programmatic approach to managing environmental and social risk. The World Bank is currently conducting a retrospective of PforR and a retrospective of DPL is planned for 2015.

III. EVALUATION OF THE WORLD BANK GROUP’S SAFEGUARD POLICIES

10. The World Bank’s Independent Evaluation Group (IEG) undertook an evaluation of the World Bank’s safeguard policies, more than 20 years after the requirement for environmental assessment was first introduced.\(^4\) This evaluation showed that the safeguard policies have been effective in avoiding or mitigating adverse impacts, particularly in high risk projects. IEG also found that the quality of safeguard work during design and appraisal improved during the review period (1999-2008). However, IEG 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. It also recommended a stronger focus on using the safeguard policies to support environmentally and socially sustainable development and to assess a wider range of potential social risks and impacts.

11. In response to the IEG findings, the World Bank committed to a comprehensive update and consolidation of its safeguard policies in 2010. The IEG findings and recommendations have been taken into account, including the need for stronger focus on the use of safeguard policies to support environmentally and socially sustainable development; greater emphasis on assessment of a wider range of potential social risks and impacts; improvements in supervision; and more efficient and effective approaches to monitoring, evaluation, and completion reporting.

12. Since the completion of the IEG evaluation, the World Bank has carried out a significant amount of work, including development of internal consensus on the approach for this review and update. At the same time, as part of the overall modernization efforts, a number of significant change initiatives have been pursued, such as Investment Lending reform, procurement policy reform, introduction of the Program-for-Results, and strengthening of grievance mechanisms. With these initiatives underway or completed, the World Bank has proceeded with the safeguard review and update.

IV. CONSULTATION OUTCOMES

13. The Proposed Framework has benefited from input from more than 2,000 stakeholders from 40 countries across all of the World Bank’s regions, from eighty-one

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position papers received from 1,257 signatory organizations, Indigenous Peoples leaders and project affected communities. Stakeholders consulted included representatives from government, civil society organizations, United Nations agencies; multilateral and bilateral development partners; private sector representatives; development-oriented organizations and foundations; academic and applied research institutions; professional organizations and societies; labor organizations; Indigenous Peoples leaders and representatives; leaders and representatives of a sample of communities affected by Bank operations; and civil society organizations at international, national and local level involved in advocacy or service delivery. 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. The consultation process focused on seeking input to the Approach Paper and in particular on key questions guiding the review.

14. **Shareholder and stakeholder views vary widely.** The summaries of feedback from the consultation are published online\(^5\) and present the widely diverse opinions voiced online and in face-to-face meetings and in consultations with project-affected communities and regional and national dialogue with Indigenous Peoples. While the feedback summaries do not fully capture the richness of the discussions, the papers submitted, or the range and details of issues that were raised, they reflect the key aspirations, concerns and recommendations of participants with regard to the questions guiding the consultation and the review of the environmental and social safeguards in Phase 1. They also demonstrate that, in many instances, there were very different and often conflicting views on the same subject that the World Bank has had to take into consideration. Reaching the best possible compromise is critical to the success of the process. The wide range of views from shareholders and a diverse group of stakeholders (including Indigenous Peoples, project-affected communities, CSOs, private sector, academia, and others) is illustrated in Box 1 below.

Box 1. Diverse Views Expressed in Phase 1 Consultations

- Policies represent good standards, but are unclear and hard to implement and often not aligned with national context, laws and development;
- Rights of affected people were identified as a major issue, together with human rights, rights of vulnerable/marginalized groups, and rights of Indigenous Peoples;
- Focus should be on implementation and supervision on the ground; important to take national context into account and strengthen policies to ensure governments are accountable. Clear, effective, user-friendly, operational guidelines are needed;
- Impact assessments should be strengthened and better methodologies are needed. Communities should be involved in assessment and assessment systems should be harmonized across donors and clients. Impacts beyond social and environmental aspects should be included. Assessment of social impacts should be strengthened. Climate change should be included;
- Focus should be at the project level, with differentiated use of Borrowers’ institutions, standards, and practices according to country capacity and existing standards;
- Land issues should be better addressed along with improvements to strengthen Involuntary Resettlement;
- Forests and natural habitats should be integrated, adding considerations on biodiversity, and addressing pollution;
- Safety should be addressed in a more integrated way;
- Vulnerable and minority groups and communities should be more involved throughout the project cycle;
- Indigenous Peoples need to be more involved in project planning and more awareness of and attention to Indigenous Peoples’ ownership and customary rights to lands, territories and natural resources they have traditionally occupied or used is needed. Indigenous Peoples give overwhelming priority to the adoption of Free, Prior and Informed Consent (FPIC) to protect these rights;
- A distinct policy for Indigenous Peoples should be maintained and clarity of requirements should be enhanced;
- Policies need to be harmonized within the World Bank Group, among partners and with national and international standards;
- Safeguards should be applied across range of financing products, not just investment lending;
- Capacity building and support to national institutions should be strengthened;
- Consideration of all emerging areas (disability, climate change, land tenure and natural resources, human rights, labor and occupational health and safety, gender, the free, prior and informed consent of Indigenous Peoples) in the review was welcomed, along with children’s rights and animal welfare and other rights. National contexts and countries’ development trajectory should be taken into account;
- There is a need to strengthen meaningful consultation with vulnerable groups, project-affected communities, and Indigenous Peoples;
- Emphasis should be on the need for strong and consistent risk assessment and risk management;
- The value of consultation with project-affected communities as a means of improving a project appears to be highly underestimated: People everywhere expressed strong desire to be consulted, and expressed that they had, or could have had, useful inputs to improve projects. Those projects with good consultation processes clearly benefitted. Conversely, to the extent that project-affected communities’ views were not sought or integrated into project design and implementation, sub-optimal results occurred.
V. A Vision for Sustainable Development

15. The Environmental and Social Standards incorporate the principles of transparency, good governance, non-discrimination and participation. In this regard, the World Bank’s operations are supportive of human rights and will encourage respect for them in a manner consistent with the World Bank’s Articles of Agreement. Social inclusion is at the center of all the World Bank’s development interventions. For the World Bank, inclusion means empowering all citizens to participate in, and benefit from, the development process. Inclusion encompasses policies to promote equality of opportunity by improving the access of poor and disadvantaged people to education, health, infrastructure, financial services, and productive assets; it embraces action to remove barriers against those who are often excluded, such as women, children, youth, and minorities; and to ensure that the voice of all citizens can be heard.

16. **Within the parameters of a project, the World Bank seeks to:**

   (a) Avoid or mitigate adverse impacts to people and the environment;
   (b) Conserve or rehabilitate biodiversity and natural habitats;
   (c) Promote worker and community health and safety;
   (d) Give due consideration to Indigenous Peoples, minority groups and those disadvantaged because of age, disability, gender or sexual orientation, especially where adverse impacts may arise or development benefits are to be shared;
   (e) Ensure that there is no prejudice or discrimination towards project-affected individuals or communities, particularly in the case of disadvantaged or vulnerable groups, in providing access to development resources and project benefits; and
   (f) Address project-level impacts on climate change.

17. The World Bank uses its convening ability, financial instruments and intellectual resources to embed environmental and social considerations in all its activities. These efforts range from the World Bank’s global engagement in issues such as climate change and gender equality to ensuring that environmental and social considerations are reflected in sector strategies, operational policies and country dialogues. This broad range of interventions complements the World Bank’s involvement at the project level, which of itself cannot address broader, country-level policy concerns.

18. The World Bank recognizes that the achievement of sustainable development depends on effective collaboration with all individuals with a stake in the development outcome of a project, as well as public and private sector development partners. It therefore commits to open dialogue, public consultation, timely and full access to information, and responsive grievance mechanisms.

19. The Proposed Environmental and Social Framework takes the World Bank’s aspirations and principles, together with the key findings identified through Phase 1 consultations, and converts them into practical, project-level applications. While this
Proposed Framework will not by itself guarantee sustainable development, its application will provide the necessary foundation to work toward that objective.

20. **To this end, the Proposed Framework aims to be clear to understand, clear to implement, and clear in holding both the World Bank and the Borrower to account.** The Proposed Framework will:

   (a) Incorporate existing requirements and include broader and more explicit requirements, thereby making the responsibility of the World Bank and the Borrower clearer;

   (b) Increase accountability, enhance decision making, and provide a tailored approach which takes into account the country and sector context;

   (c) Allow, where and when appropriate, for less front-loading during project preparation, with more investment in effective monitoring and supervision for the realization of agreed project commitments; and

   (d) Promote a project-based approach focusing on outcomes rather than procedural compliance.

### VI. SETTING STANDARDS FOR SUSTAINABLE DEVELOPMENT

*Proposed Changes*

21. **The main objective of the review is to strengthen the existing safeguard provisions and work toward improving project outcomes.** This goal has been outlined in the Approach Paper of October 2012. The Environmental and Social Framework builds on the existing core principles of the safeguard policies; clarifies objectives and desired outcomes; distinguishes policy, principles and procedure; improves synergy across policies; and reduces duplication. In addition, the Proposed Framework seeks to delineate and, as necessary, strengthen the complementary but distinct roles and responsibilities of the World Bank and the Borrower. It addresses the recommendation to enhance our partnership with our Borrowers by building upon and strengthening their national systems. Finally, the Proposed Framework will include tools and guidance for day-to-day implementation by the World Bank and the Borrower.

22. **The Proposed Framework seeks to improve the quality and speed of decision making and risk management, and improve monitoring and supervision.** More specifically, it is aimed at delivering several operational benefits:

   (a) **Enhanced outcomes.** This will promote a stronger emphasis on desired sustainable development outcomes, to be complemented by the development of tools and indicators to measure results.

   (b) **Greater clarity of the roles and responsibilities of the World Bank and Borrower.** The Proposed Framework differentiates between the separate but complementary roles and responsibilities of the World Bank and the Borrower, as
well as other relevant third parties such as development partners, in addressing environmental and social risks and impacts throughout the project.

(c) **Enhanced risk management.** The World Bank will increase its use of a risk-based approach for the management of its portfolio, with monitorable and measureable risk indicators, so that decision-making can be informed by predetermined tolerances for risk. This will also enable task teams to gauge more accurately the costs of meeting policy objectives and requirements for the project. This is a complex task that will also require an alignment of internal incentives that values equally both project preparation and implementation. Such a shift towards risk management will help the World Bank improve project outcomes.

(d) **Alignment with IFC Performance Standards.** This will allow for more effective cooperation across the World Bank Group.

(e) **Increased harmonization and coherence with relevant aspects of other sustainability frameworks and recognized good international practices.** The review and update process has taken into account recent safeguard updates by other MDBs, particularly those that address both public and private sector Borrowers. Within the World Bank Group, the review and update is informed by the World Bank’s application of the Performance Standards to World Bank-financed or supported private sector projects. The Proposed Framework brings the World Bank into greater alignment with the International Finance Corporation (IFC) and other MDBs, including the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development and Inter-American Development Bank. These institutions have recently conducted their own reviews and incorporated new features, such as overarching principles, clarity of roles and responsibilities between the lender and the Borrower, and the integrated treatment of environmental and social issues.

(f) **A strengthened partnership with Borrowers.** The World Bank seeks to strengthen its partnership with its Borrowers, rooted in a common commitment to environmental and social sustainability. Such a partnership will better leverage the increasing capacity of many Borrowers to identify and manage environmental and social risks and impacts of projects.

(g) **Emerging and future environmental and social risks.** The Proposed Framework addresses emerging and future environmental and social risks and impacts, and considers how these may be assessed and managed. Such issues include climate change, biodiversity loss, economic and forced migrations, gender, disability and public health epidemics. Some of these challenges may be global and transboundary, while others may be regional or country-specific in nature. The Proposed Environmental and Social Framework offers the World Bank, its Borrowers and development partners an updated methodology to address the general and specific impacts and risks associated with such challenges.
Preservation of Existing Safeguard Provisions

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

(a) The World Bank’s leadership in setting standards for sustainable development and social and environmental protection, through preserving the core values of the safeguard policies.

(b) Existing provisions by building on them. The Proposed Environmental and Social Framework integrates OP/BP4.00, OP/BP4.01, OP/BP4.03, OP/BP4.04, OP4.09, OP/BP4.10, OP/BP4.11, OP/BP4.12, OP/BP4.36 and OP/BP4.37. The review does not include OP7.50 (Projects on International Waterways) and OP7.60 (Projects in Disputed Areas).

(c) 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.

(d) Rigorous assessment of environmental and social 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 proposed new tool for systematic risk management in operations, as well as strengthened monitoring and implementation support.

VII. PROPOSED STRUCTURE OF THE FRAMEWORK

24. The World Bank’s Environmental and Social Framework is structured as follows:

- An introductory “Vision for Sustainable Development,” which articulates the World Bank’s aspirations in supporting its twin goals through sustainable development, as outlined in the previous section.
- World Bank Environmental and Social Policy, which sets out the mandatory Bank requirements in relation to projects supported by the World Bank through Investment Project Financing.
- Mandatory Borrower requirements that are set out in Environmental and Social Standards (ESSs) 1-10:
  1) Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
  2) Environmental and Social Standard 2: Labor and Working Conditions
  3) Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention
  4) Environmental and Social Standard 4: Community Health and Safety
5) Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

6) Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

7) Environmental and Social Standard 7: Indigenous Peoples

8) Environmental and Social Standard 8: Cultural Heritage

9) Environmental and Social Standard 9: Financial Intermediaries

10) Environmental and Social Standard 10: Information Disclosure and Stakeholder Engagement

25. The following paragraphs describe the proposed Policy and Standards and the key issues they are intended to address. Table below provides a summary of key features and improvements, with paragraph references.

A. World Bank Environmental and Social Policy

26. 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 World Bank Environmental and Social Policy specifies the World Bank’s mandatory environmental and social requirements in relation to projects supported by the World Bank through Investment Project Financing. It provides a detailed list of environmental and social risks and impacts that the World Bank will consider in its due diligence. Taking a client-focused approach, it requires the Borrower to structure projects so that they meet the ESSs in a manner and timeframe acceptable to the World Bank. 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.

27. Facilitating project preparation and supporting compliance throughout the lifetime of a project, the World Bank and the Borrower will agree on an Environmental and Social Commitment Plan (ESCP). This ESCP sets out the project commitments and is part of the financing agreement. It supports actionable risk management through adherence to the ESSs throughout the lifetime of the project, including as necessary the type of dated covenants currently more common in the financing agreements of other development Banks, including IFC.

B. Environmental and Social Standards (ESSs)

1) 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 ESS2 and ESS10, applies to all projects and considers at the outset the use of the Borrowers’ 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 Environmental and Social Commitment Plan (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.

2) **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 and forced labor. ESS2 applies to workers employed directly by the Borrower to work specifically in relation to the project. It does not relate to other workers employed by the Borrower. Government civil servants working in connection with the project remain subject to their existing terms of employment, save for requirements under ESS2 relating to protecting workers, including Occupational Health and Safety. ESS2 clearly establishes the requirement for a grievance mechanism for workers and for worker health and safety provisions, reflecting the World Bank’s existing Environmental Health and Safety Guidelines.

3) **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, and to consider options to reduce project-related greenhouse gas (GHG) emissions. Where feasible, it requires Borrowers to quantify GHG emissions in projects with higher carbon dioxide production. ESS3 incorporates existing Bank requirements including OP4.09 (Pest Management) and addresses the generation and treatment of wastes, hazardous materials and pesticides.

4) **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. ESS4 includes requirements on security personnel (both government and private) that are similar to provisions of some other MDBs.
5) 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. It allows compensation to be paid in installments or into escrow under specified circumstances.

6) 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 such as forests and fisheries. 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 of biodiversity and priority biodiversity features. It permits biodiversity offsets in limited circumstances. Where Borrowers are purchasing primary production, ESS6 includes requirements relating to primary suppliers.

7) ESS7: Indigenous Peoples – Introducing FPIC while considering borrowers’ constraints

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 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 pastoralists can be recognized as Indigenous Peoples. 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 high-risk 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 the Free, Prior and Informed Consent (FPIC) of affected Indigenous Peoples, as set out in ESS7. Where the process of identifying Indigenous Peoples for purposes of applying ESS7 would create a serious risk of exacerbating ethnic tension or civil strife, or is inconsistent with the provisions of the national constitution, the Borrower may agree with the World Bank on an alternative approach in which project risks and impacts on Indigenous Peoples are addressed through the application of the ESSs other than ESS7, such that the Indigenous Peoples are treated at least as well as other project-affected people.

8) **ESS8: Cultural Heritage – Recognition of cultural heritage, enhancing consultations**

ESS8 applies to all projects that are likely to have adverse impact on cultural heritage and will always apply in projects that involve significant earthworks and other changes in the physical environmental or where the project is located in a recognized cultural heritage site. It requires projects to adopt a chance find procedure, together with other internationally recognized procedures for the protection of cultural heritage and provides access to cultural heritage sites. ESS8 requires all relevant stakeholders to be identified and 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.

9) **ESS9: Financial Intermediaries – Improving FI management capacity and focusing on high risk**

Given the widespread interest and concerns among stakeholders about how environmental and social considerations can and should be taken into account in intermediated lending, the World Bank has consolidated existing OP/BP 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 ESS10 and to screen, appraise and monitor all subprojects. ESS9 requires that all subprojects be structured to meet national environmental and social requirements; any subproject classified as *High Risk* shall be assessed in accordance with, and structured to meet, the ESSs. FIs are required to submit annual reports to the World Bank on their environmental and social performance.

10) **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 commensurate 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; requires Borrowers to inform affected communities of changes in the project that will impact them; and requires a grievance mechanism to be established for resolution of stakeholder concerns.

28. 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 and projects are also required to comply with the World Bank Group Environmental, Health and Safety Guidelines (EHSGs) and other relevant Good International Industry Practice (GIIP).

VIII. IMPLEMENTATION ARRANGEMENTS

29. The Proposed Framework addresses a broader set of issues at the project level in a more systematic way. This requires strengthened capacity on the part of the World Bank and the Borrower. The introduction of the Framework will therefore be supported by 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 cannot be overlooked if the World Bank wants to deliver on environmental and social sustainability in the investment projects it finances. Concrete measures under consideration include:

(a) Capacity building for Borrowers and other external parties to support the implementation of the ESSs;
(b) Strengthening of the policy and project guidance function through an integrated environmental and social risk advisory team within OPCS, including regional safeguard staff, allowing for a more consistent approach to project oversight and quality assurance across the Regions;
(c) Establishing a coordination function for the management of environmental and social issues among OPCS, LEG, ECR, Global Practices, and cross-cutting solutions areas;
(d) Creating an Environmental and Social Standards Panel to strengthen staff training programs on environmental and social issues and addressing skills needs, such as labor and health and safety;
(e) Ensuring a more strategic allocation of staff based on project risk; and
(f) Establishing thematic practice groups to ensure consistent approach across the World Bank Group through development of guidance materials and tools.
IX. CONCLUSION

30. **Environmental and social issues are at the core of development.** The World Bank recognizes that modernizing and updating its system of managing environmental and social risk is likely to generate strong views on a wide array of issues. Nevertheless, the World Bank must modernize its safeguard policies and maintain its position as a leader in delivering sustainable development. The Proposed Framework balances a wide range of demands, needs, and aspirations of shareholders and stakeholders. As the World Bank continues the review and update process, feedback from stakeholders will be sought on the Proposed Framework through a variety of channels.

31. **The Proposed Environmental and Social Framework is designed to support the World Bank’s overarching goals to end extreme poverty and promote shared prosperity in a sustainable manner in all its partner countries.** The Proposed Framework presents a risk-based and outcome-focused approach to protecting people and the environment. It builds on the principles of the World Bank’s current safeguards, which are respected throughout the development community, and proposes to expand some policy provisions to reflect new development challenges. At the same time, the Proposed Framework simplifies and clarifies the requirements and roles of the World Bank and Borrowers, allowing for a more efficient application of measures designed to address environmental and social risks and impacts.
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<th>Environmental and Social Framework</th>
<th>Key Features</th>
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| Vision Statement for Sustainable Development | - Explicit statement that the World Bank’s operations are supportive of human rights and will encourage respect for them in a manner consistent with the World Bank’s Articles of Agreement (Para. 3)  
- Promotion of development opportunities (Para. 6) | Not applicable |
| WB Environmental and Social Policy | - Greater clarity on due diligence on social risks (Para. 4 (b))  
- Compliance in a manner and a timeframe acceptable to the World Bank: risk management across project lifetime (Para. 13)  
- Introduction of risk-based classification system (Paras. 20-22)  
- Promotion of the use of Borrower’s Environmental and Social (ES) Framework (Paras. 23-26)  
- Strengthened monitoring and implementation support (Paras. 46-49)  
- Enhanced grievance redress and accountability (Paras. 50-51) | ✓ OP/BP4.00 (Use of Country Systems)  
✓ OP/BP4.01 (Environmental Assessment) |
| ESS1 Assessment and Management of ES Risks and Impacts | - Harmonized approach with other donors on safeguards (Para. 10)  
- More clarity on the compliance with Environmental, Health and Safety Guidelines (EHSG) (Para. 17)  
- Strengthened assessment of social risks; anti-discrimination measures (Paras. 26 (b) and 27)  
- Clear and actionable risk management through ES Commitment Plan (ESCP) (Paras. 34-48)  
- Strengthened project monitoring and reporting (Paras. 49-55) | ✓ OP/BP4.00 (Use of Country Systems)  
✓ OP/BP4.01 (Environmental Assessment) |
| ESS2 Labor and Working Conditions | - Non-discrimination and equal opportunity (Paras. 9-10)  
- Compliance with national law on workers’ organizations (Para. 11)  
- No inappropriate child labor (Paras. 15-17)  
- Prohibition of forced labor (Paras. 18-19)  
- Promotion of occupational health and safety (Paras. 20-21) | Not applicable (ESS2 is a new standard.) |
| ESS3 Resource Efficiency | - Promotion of project-related GHG reduction (Para. 5)  
- Promotion of quantification of GHG emissions (Para. 6) | ✓ OP4.09 (Pest Management) |
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| and Pollution Prevention          | - Improved efficiency in water consumption (Paras. 7-9)  
- Incorporation of key provisions from OP 4.09 (Pest Management) (Paras. 18-22) | ✓ OP/BP4.37 (Safety of Dams) |
| ESS4 Community Health and Safety  | - Promotion of community health and safety through proactive application of EHSG (infrastructure and equipment design and safety, product and services safety, traffic and road safety, hazardous materials, etc.) (Paras. 8-21)  
- Emergency preparedness and response (Paras. 22-25)  
- Requirements on security personnel (Paras. 26-30)  
- Incorporation of key provisions from OP 4.37 (Safety of Dams) (Annex 1) | ✓ OP/BP4.12 (Involuntary Resettlement) |
| ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement | - Greater clarity on the scope of application (public land, access to common resources, voluntary land transaction, land titling/regularization activities, etc.) (Footnote 1, Paras. 4 and 5)  
- More flexibility for resettlement planning instruments (Para. 17)  
- Clarity on the treatment of “squatter landlord” (Footnote 22)  
- No forced eviction (Para. 27 and Footnote 5)  
- Greater clarity on physical and economic displacement (Paras. 22-32) | ✓ OP/BP4.04 (Natural Habitats)  
✓ OP/BP4.36 (Forests) |
| ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources | - Consideration of projected climate change impacts (Para. 8)  
- Application of biodiversity offsets in limited circumstances (Para. 15)  
- Conservation of critical habitat and priority biodiversity (Paras. 15-19)  
- Application of Good International Industry Practice (GIIP) in the production of crops and animal husbandry (including animal welfare) with due consideration for religious and cultural principles (Para. 27)  
- Requirements relating to primary suppliers in supply chains (Para. 32) | ✓ OP/BP4.10 (Indigenous Peoples) |
| ESS7 Indigenous Peoples          | - Clearer recognition of pastoralists as Indigenous Peoples (Para. 7)  
- Alternative approach when a serious risk of civil strife or inconsistency with national constitution exists (Para. 9)  
- More flexibility for planning instruments (Paras. 12-16)  
- Protection of Indigenous Peoples in voluntary isolation (Para. 17)  
- Application of Free, Prior and Informed Consent (FPIC) under specific circumstances (Paras. 19-27)  
- No forced eviction of Indigenous Peoples (Para. 25) | ✓ OP/BP4.10 (Indigenous Peoples) |
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| **ESS8** Cultural Heritage        | - Broader objectives (Objectives)  
- Enhanced consultation with affected communities (Paras. 13-15)  
- Adoption of the concept of community access (Para. 16)  
- Requirements on commercialization of intangible cultural heritage (Paras. 28-29) | ✓ OP/BP4.11 (Physical Cultural Resources) |
| **ESS9** Financial Intermediaries | - Subprojects to be structured to meet ES requirements of national law (Para. 6)  
- Greater ES risk management for subprojects classified as High Risk (Para. 7)  
- Requirement of FIs to screen all subprojects against the FI Environmental and Social Exclusion List (Para. 14 (a))  
- Annual reports to the World Bank (Para. 18) | ✓ OP/BP4.01 (Environmental Assessment) |
| **ESS10** Information Disclosure and Stakeholder Engagement | - Greater clarity on information disclosure (Paras. 9-11)  
- Enhanced stakeholder engagement during project preparation (Paras. 12-17)  
- Promotion of meaningful consultation (Paras. 18-20)  
- Ongoing stakeholder engagement during project implementation (Paras. 21-22)  
- Systematic grievance redress (Para. 23 and Annex 1) | ✓ OP/BP4.01 (Environmental Assessment) |

*OP/BP4.03 (Performance Standards for Private Sector Activities) will be replaced by the Environmental and Social Framework.*