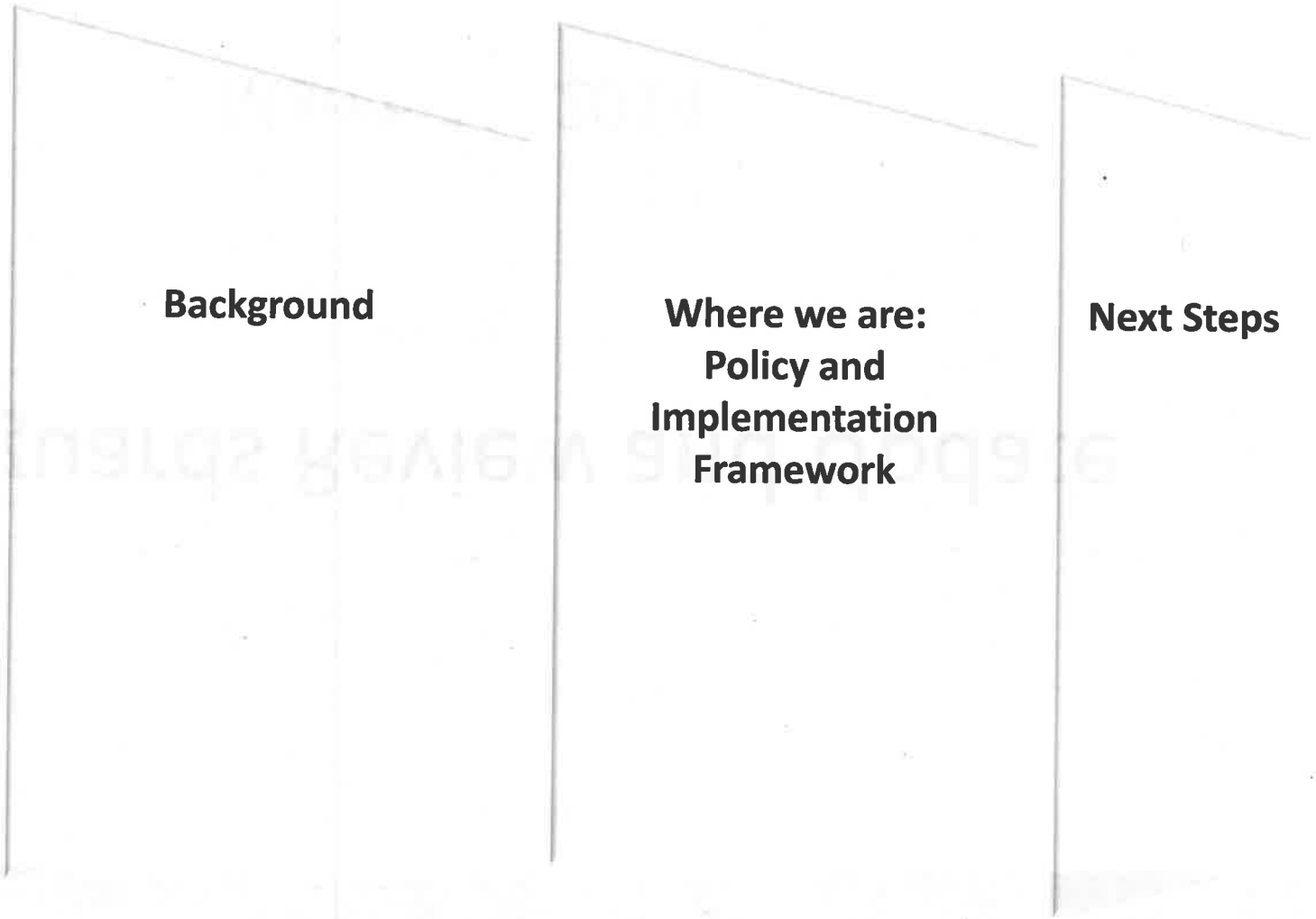
Safeguards Review and Update

March 13, 2014

INTERNAL USE ONLY

All slides in this presentation are confidential.
Solutions, ideas are work in progress.

outline


Background
Where we are: Policy and Implementation Framework
Next Steps

why the review

How can Bank safeguard policies better address environmental and social issues that clients face today and ensure development outcomes?

issues with current policies

Almost 20 years old.

Societal expectations about sustainable development have evolved.

Current safeguards were developed in an *ad hoc* manner in response to issues and challenges of the day.

They are piecemeal and complex to implement.

Do not address comprehensively the full range of environmental and social issues that the financial and development sectors are expected to address today.

approach to review

- Inclusive process of stakeholder engagement has informed the Bank's thinking.
- Targeted outreach to Project Affected Communities and Indigenous Peoples (to be completed in March)
- Benefitted from the lessons learned from other International Financial Institutions in their recent policy revisions (AfDB, EBRD, IFC, EIB, Equator Banks).
- Internally: look at staff capacity, roles and functions.

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DRAFT

POLICY PROPOSAL

a strengthened, undiluted system for social and environmental sustainability.

policy and implementation framework

-> environmental and social policy and standards are **one** element of overall Bank's approach to sustainable development

-> complemented and supplemented by work of Global Practices and environmental and social staff.

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policy model

- *An Environmental & Social Policy* (ESP) which outlines the Bank's strategic policy objectives and its commitments.

- *Ten Environmental & Social Standards* (ESSs) which outline the requirements Borrowers/projects are expected to meet.

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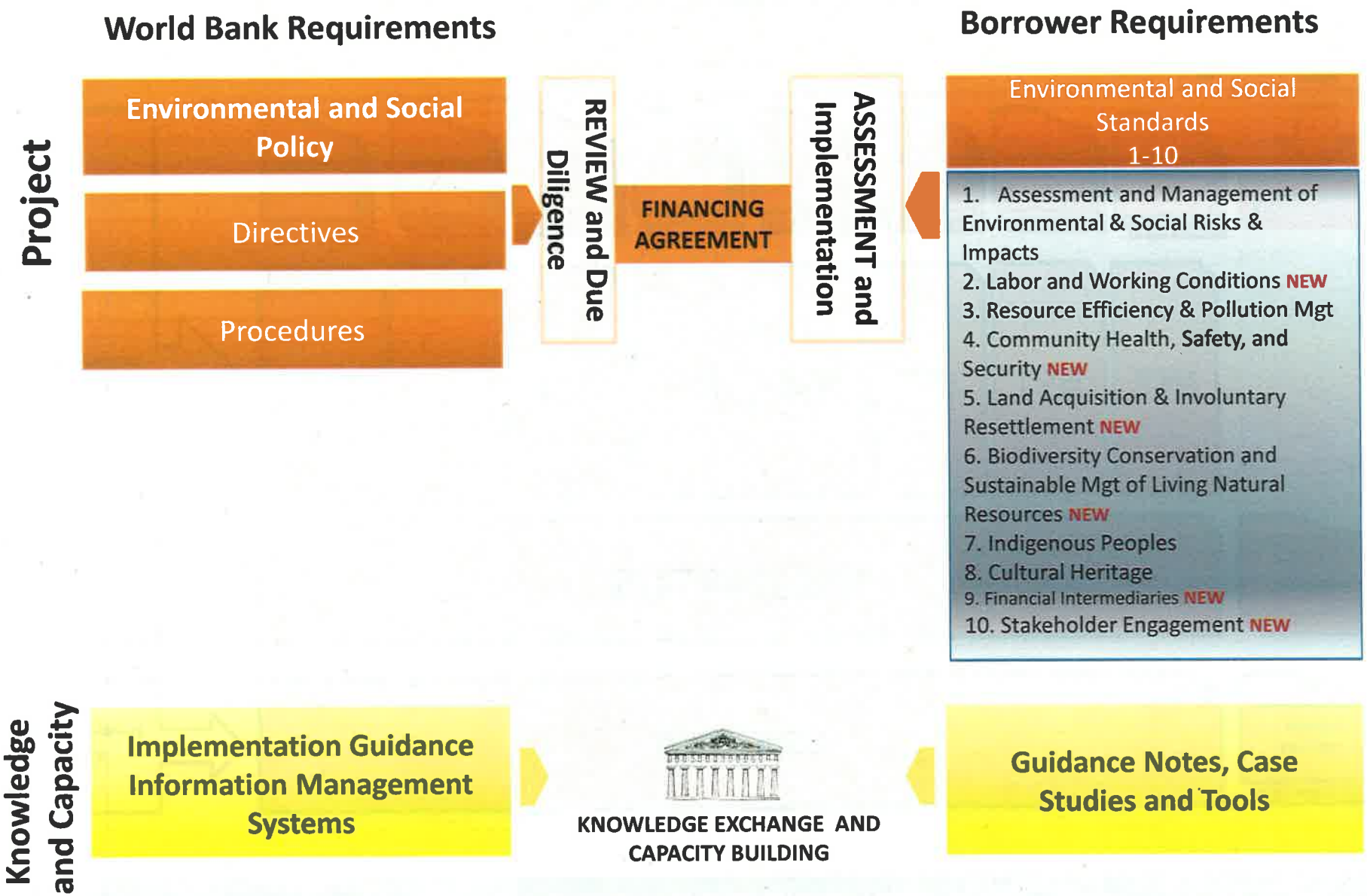
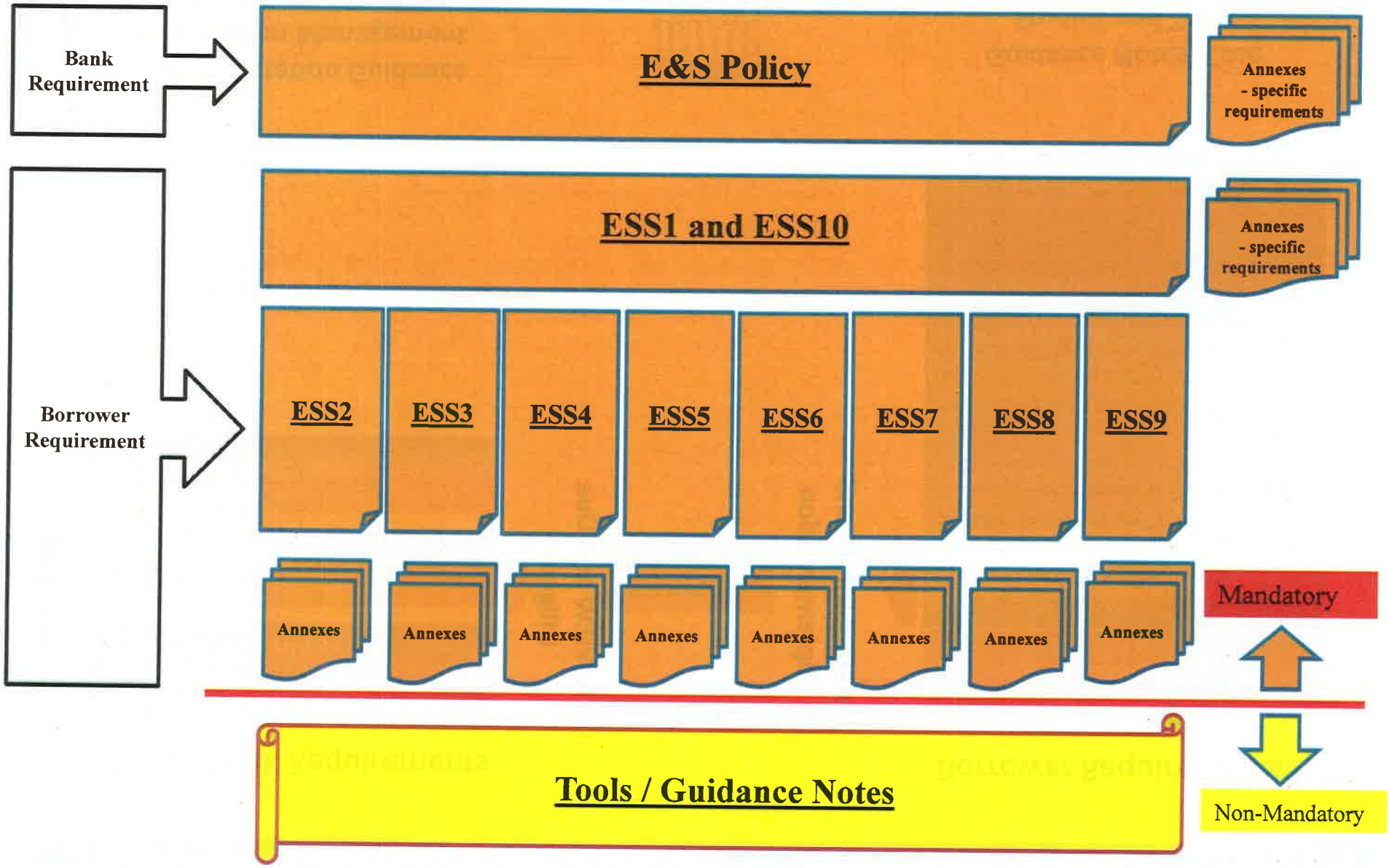
Draft Proposal: Policy, Procedures, Standards and Implementation Guidance



Example of how it would work: Project Level



benefits

- **greater clarity** in our policy documents and a **clear division of responsibilities** between what Borrowers are required to do and what the Bank is required to do.
- **greater accountability of the Bank** in its actions; emphasizing **our role of responsible lender and partner** to Borrowers.
- **comprehensive coverage** of environmental and social standards, impacts and risks.
- **consistent with best practice**. Builds from new approaches taken by other MDBs and IFC.
- **greater focus on implementation**. Mindful of borrower systems and institutions.
- **balance** "front loading" with implementation and an outcomes approach with enhanced supervision.
- **compliant** with Policy and Procedures Framework (P&PF)

Borrower requirements: standards

STANDARDS	INCLUDE
ESS1: Assessment and Management of Environmental and Social Risks and Impacts	Piloting the use of borrowers systems and Environmental Assessment OPs 4.00 , 4.01, and 4.03
ESS2: Labor and Working Conditions NEW	No existing OP
ESS3: Resource Efficiency and Pollution Management (include Approach to Climate Change) NEW	Environmental Assessment and Pest Mgt OPs 4.01 and 4.09
ESS4: Community Health, Safety, and Security NEW	Pest Mgt and Safety of Dams OPs 4.09 and 4.37
ESS5: Land Acquisition and Involuntary Resettlement	Involuntary Resettlement OP 4.12
ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources NEW	Natural Habitats and Forests and parts of Pest Mgt OPs 4.04, 4.36 and 4.09
ESS7: Indigenous Peoples	Indigenous Peoples OP4.10
ESS8: Cultural Heritage	Physical and Cultural Resources OP4.11
ESS9: Financial Intermediaries NEW	Environmental Assessment Ops 4.01 and 4.03
ESS10: Stakeholder Engagement NEW	Environmental Assessment OP4.01

ESS1: assessment and management of environmental and social risks and impacts

DESIGNED TO:

- Introduce mitigation hierarchy
- Allow for coverage of emerging areas, as appropriate (ie. disability, children, gender etc...)
- Recast country systems approach into a project-focused risk driven partnership with borrowers
- Provide annexes including more comprehensive clarity on key requirements
- Provide better integrated environmental and social assessment
  - More comprehensive – whole project life cycle
  - Clearer standards and requirements
  - Improved clarity in definitions
  - Include range of vulnerable groups
- Empowering and requiring the Bank and Borrowers to **identify and address discrimination** and adverse impacts on vulnerable groups:
  - The **definitions** of 'non-discrimination', vulnerable/disadvantaged groups specifically **refer to LBGT, religious, racial or other minorities, gender, elderly, children, disabled and infirm.**
  - We are strengthening our project appraisal process to ensure we identify and prevent and mitigate the impacts on vulnerable groups

ESS2: labor and working conditions

- Build upon EBRD and other MFI/IFI approaches and experience
- DESIGNED TO:
  - Address areas of social and economic risk, ensuring that working conditions are based on principles of non discrimination, no child labor etc…
  - Rely and build upon national requirements as appropriate

ESS3: resource efficiency and pollution management

- Build upon EBRD and other MFI/IFI approaches and experience
- DESIGNED TO:
  - Provide clarity
  - Provide improved unified framework on use of resources
  - Provide better guidance on industrial pollution
  - Introduce treatment of climate change and green house gas emissions management

ESS4: community health, safety, and security

- Build upon EBRD and other MFI/IFI approaches and experience
- DESIGNED TO:
  - Include standards to protect the people surrounding the project, in terms of their health, safety and security
  - Add coverage on road safety, dam safety, fire and life safety etc…
  - Provide improved clarity and guidance

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ESS5: land acquisition and involuntary resettlement

- Build from current policy, approach of other MFI/IFIs and experience
- DESIGNED TO:
  - Address issues related to implementation through enhanced oversight, monitoring and supervision
  - Provide more clarity on definitions, and on application of policy
  - Address voluntary resettlement
  - Provide more comprehensive treatment of land

ESS6: biodiversity conservation and sustainable management of living natural resources

- Build upon EBRD and other MFI/IFI approaches and experience
- DESIGNED TO:
  - Provide more comprehensive coverage of biodiversity issues
  - Consolidation and integration of Forests, Natural Habitats, Environmental Assessment and parts of Pest Management
  - Add language on living natural resources (livestock, fisheries)
  - Provide clarity on what the borrower is expected to do in production of living activities (food safety, certification processes, international standards etc..)
  - Provide clearer definition of habitats
  - Provide clarity on what to do in protected areas
  - Modernize the definition of biodiversity
  - Provide better clarity on operational requirements and pre-requisites

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ESS7: Indigenous Peoples

- Be informed by the IP Dialogue (on-going)
- DESIGNED TO:
  - Build on current policy.
  - Look at how to operationalize Free, Prior, Informed Consultation versus Free, Prior, Informed Consent
  - Provide clearer explanation of requirements
  - Provide clarity on pastoralism, voluntary isolation and (no) forced eviction

ESS8: cultural heritage

- Build upon EBRD and other MFI/IFI approaches and experience
- DESIGNED TO:
  - Strengthen coverage, include intangible cultural heritage
  - Provide clear process with regards to mitigation hierarchy and how to address different types of cultural heritage

ESS9: financial intermediaries

DESIGNED TO:

- Consolidate requirements for financial intermediaries into one standard
- Address and cover financial intermediaries obligations with respect to sub-project appraisal, applicable standards, reporting etc…
- Strengthen ability to manage the risks potentially posed in these types of operations
- Provide enhanced and clearer due diligence and supervision

ESS10: stakeholder engagement

DESIGNED TO:

- Provide for greater focus and attention on stakeholder engagement, disclosure of information, meaningful consultation and grievance mechanisms.
- Ensure consistency and clarity
- Look at structure and methodology

policy roll-out ingredients

enhancing internal roles and functions

- Strengthen business model on environmental and social risk management.
  More emphasis needs to be placed upon:
  - Clarifying staff responsibilities and accountability
  - Enhanced project monitoring, supervision and reporting
  - Enhanced oversight/guidance to improve environmental and social outcomes on projects, address risks and focus on implementation.
  - More risk-focused business model
  - Strengthening of staff training and accreditation

When

Next Steps

next steps

Dec-May 2014

- Drafting proposal
- OPCS Council
- OVP, Outline of a proposal for Policy Framework

Communication and engagement strategy and plan

Mid 2014

- Present the first draft of the proposed Updated Policy Framework to CODE for review and endorsement.
- The draft will include:
  - annex summarizing views received during consultations and responses
  - consultation and communication plan

- Second round of global external consultations in 2014, after CODE meeting
- Internal Consultations

Discussion

discussion

- Does the overall policy architecture address concerns/issues?
- Are requirements clear as well as roles of Bank and Borrower?
- Is the treatment and coverage of environmental and social impacts and risks comprehensive? Is anything missing we should consider?
- Are we addressing the use of borrower systems? Is anything else that could be done?
- Any suggestion to help us strengthen our ability in risk management, due diligence, implementation and supervision?

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Thank you