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## **bb** Time to bolster safeguards, not dilute them

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As multilateral development banks (MDBs) gear up to fill serious gaps in infrastructure in Asia and elsewhere, attention also focuses on safeguards used to deflect potential spillover damages to communities, habitats and livelihoods from such large-scale projects. The value of such protection is at an all-time high because of the heightened fragility the environment and society face today—as the United Nations’ new Sustainable Development Goals

emphasise.

Indeed, safeguards should be a top concern for established lenders such as the World Bank and the Asian Development Bank and for two new lenders: the Asian Infrastructure Investment Bank and the New Development Bank set up by the Brics countries. While the borrower is responsible for implementing these defences, the lender must be accountable for robust checks on the projects financed.

The World Bank recently issued a proposal for reform of safeguards and the AIIB has outlined a similar plan. Inevitably, these initiatives are driven by a growing demand for lending operations to be speedy and for safeguards to be flexible. That said, the purpose of reform should be to secure better environmental and social outcomes, while implementing the policy more efficiently.

When it comes to spillover damages, the crucial question is how flexibility is balanced with compliance. Whether it is polluting the air we breathe and the water we use, or violating the speed limit and jumping a red light, endangering people’s lives, regulatory efficiency ought not to be confused with policy compliance. The necessity for upfront regulation and compliance as well as independent monitoring and reporting is all too clear from disastrous experiences in developing and industrial countries — Volkswagen’s emissions scandal exposed by the Environmental Protection Agency’s due diligence being the latest example.

The World Bank proposal illustrates the need for two central considerations. First, the scheme entertains the use of a country’s safeguards system for externally financed projects (except for one

sub-category), with gaps to be filled during implementation. As very few country systems are adequate, their ready application for risky projects (labelled in the proposal as high and substantial as opposed to moderate and low) would endanger communities and the environment, as seen in the grievances from applying country systems in China, India and elsewhere. So it is essential that their equivalence with the MDB framework is established transparently before applying them.

Second, while the new draft rules require an environmental and social commitment plan at project approval, key targets are to be developed and met some time during implementation. An environmental management plan, a resettlement plan, or a hazardous waste plan may be prepared at an undefined time, with their scope evolving in response to changing conditions. To prevent spillover damages, however, projects must reflect inputs from the communities involved, and their approval be predicated on specific and binding targets for compliance.

Deferring specificity of compliance from the project approval to the implementation stage can lessen upfront work and screening by the lender's board, and hasten project ratification. But that would not save time if an adequate mitigation plan were indeed to be developed later. The approach could place sole reliance on self-monitoring and self-reporting, and open the door to softening requirements during implementation, including not stopping projects that do not observe World Bank standards. Corrective action is unlikely to follow without specific legal provisions in the first place.

A combination of flexible requirements and national standards for risky projects would dilute safeguards — especially if additional funds and staff were not allocated during follow-up. So instead, balance between compliance and flexibility could be struck by using the MDB system until national ones are equivalent and investments made in filling gaps, and by having an action plan with legally binding targets that can be improved upon during implementation.

Evaluations of safeguards noted that downstream oversight ought to be strengthened: the World Bank proposal has advisory and supervisory elements that try to do so. But evaluations did not suggest that upstream regulation be weakened, rather that it be maintained while processing speed is achieved through greater efficiency. So the current proposal calls for two key explanations and changes.

First, it needs to be clear that environmental and social indicators that can be tracked and reported against will be legal conditions for approving high and substantial risk cases. Second, it needs to be clear that the World Bank's standards are required for high and substantial risk projects, while efforts continue to strengthen national systems. Velocity of project processing should be sought through process and procedural efficiency, and sufficient resources for their implementation.

Greater financing for infrastructure is good news for revitalising economic growth. But the increase in infrastructure investment needs to be accompanied by environmental and social care, if growth is to be sustained. MDBs, for their part, must ensure that safeguards accompanying these investments are strengthened, not weakened.

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