



DRAFT PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

Setting Standards for Sustainable Development

QUESTIONS AND ANSWERS

The World Bank has proposed a first draft framework, which includes ten Environmental and Social Standards, to the Executive Director's Committee on Development Effectiveness (CODE) on July 30, 2014 as a basis for consultation. The Executive Directors, without endorsing the content, have authorized the release of the draft for consultation with shareholders and stakeholders. This document provides answers to questions on the draft proposal that have been raised by shareholders and stakeholders. This Q & A has been prepared to help provide background to the draft and is not intended to be a comprehensive treatment of the issues. It will be extended as we receive more questions.

The document has last been updated on August 4, 2014

THE PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

Q: Does the Proposed Framework represent a dilution of the current safeguard policies?

A: The overall impact of the Proposed Framework will be to strengthen the management of environmental and social risk. The Proposed Framework is dynamic and project-focused, and reflects and responds to the real timeline for development of a project. It focuses on the importance of a robust environmental and social assessment, the ongoing identification and management of risks and impacts, and the application of mitigation measures in a timely way to protect the environment and people. The aim of the new approach is to achieve better implementation of projects and a more targeted and efficient use of resources, with importance being given to managing environmental and social risks and impacts during the implementation of the project.

Q: Did the Board/CODE endorse the framework?

A: On July 30, the Bank's management asked the Board's Committee on Development Effectiveness (CODE) for clearance to proceed with Phase 2 of the review and update process. Executive Directors did not endorse this draft. Rather, they asked us to consult with our shareholders and stakeholders about how to strengthen the proposal to ensure that we will continue to provide the most effective protections for the environment and the people that are impacted by our projects. We will revise the first draft of the framework based on the feedback we will receive from shareholders and stakeholders over the coming months. We will present a second draft to Executive Directors in 2015.

Q: What are the key differences between this framework and the current policies?

A: There are a number of differences between the proposed framework and the existing safeguards policies, and also many similarities:

- The existing policies were developed, one by one, over a twenty year period, often in response to changing Bank requirements and specific project challenges. By contrast, the proposed framework has

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been drafted as a coherent and systematic document, with the aim of avoiding duplication and inconsistency and building on the Bank's experience and that of its Borrowers.

- The proposed framework separates the Bank's obligations in the Policy and the Borrower's obligations in the Standards. This approach has been used successfully by IFC and other MDBs. By contrast, the current policies and procedures do not articulate the roles of Bank and Borrower as clearly as what is being proposed, and this can give rise to confusion in roles and obligations.
- The current safeguard policies constrain the way in which evolving project activities can be addressed. In many cases the policies require the identification of risks and impacts and the development of related plans prior to Bank appraisal and Board approval of the project, at a time when insufficient information is available. This can contribute to inadequate documents and delay, and a tendency to focus on upfront documentation rather than ongoing project implementation and management. The proposed framework aims to address some of these concerns by permitting the requirements of the ESSs to be met over time, in accordance with the development of the project and the technical and financial constraints of the Borrower.

In drafting the proposed framework, the aim has been to avoid overall dilution of environmental and social protection, while modernizing certain requirements and reflecting the Bank's experience over the past 20 years. The proposed framework also draws on the experience of other MDBs, many of whom have recently revised their own environmental and social policies.

Q: What happens in situations where national law is inconsistent with the ESSs?

A: The requirements of national law as they apply to the project, and any inconsistencies with the ESSs, will be considered through the environmental and social assessment. Where national law is inconsistent with the requirements of the ESSs, the provisions of the ESSs will prevail as regards the project being supported by the Bank and, to the extent possible, any inconsistencies will be addressed through project design. Any potential inconsistencies that cannot be resolved will be brought to the Board for consideration.

Q: Will the Proposed Framework affect the role of the Inspection Panel?

A: As Management stated in the 2012 Approach Paper, the role of the independent Inspection Panel is not part of the review and the mandate of the Panel will remain unchanged. Unlike the current safeguards, the draft Policy contains explicit reference to the Panel.

Q: Why is the Bank not adopting the IFC Performance Standards?

A: As was clear during the Board discussion of the IFC Performance Standards, they were designed specifically for the private sector, and were last reviewed by IFC in 2010. While they contain useful approaches and provisions for the management of environmental and social risk, the Bank's Borrowers are different from the private sector, with different responsibilities and scope of authority. For these reasons, while the Proposed Framework adopts much of the content of the Performance Standards, it also responds to the specific issues associated with public sector lending. It also reflects some approaches and issues addressed by other MDBs with lending portfolios similar to the Bank, who have conducted reviews more recently than IFC.

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Q: How will the Proposed Framework apply if the Bank is not the sole financier?

A: Where the Bank is co-funding a project with other donors, the Proposed Framework would establish that the Bank and the other donors can agree on a common approach for the assessment and management of environmental and social risks, providing such approach does not materially deviate from the objectives of the ESSs. In assessing this approach, the Bank will take into account the policies, standards and implementation procedures of the other funding agencies.

Q: Why does the Proposed Framework not apply to DPLs and P4R?

A: Management believes that environmental and social requirements need to be tailored to the nature of specific financial instruments. Approaches to addressing environmental and social considerations related to Development Policy Lending (DPL) and Program for Results (P4R) are embedded in the respective operational policies (OP/BP8.60 and OP/BP9.00). As endorsed by Executive Directors in the Approach Paper and concordant with the approach of other MDBs, DPLs and P4R are not covered by the proposed Framework. The World Bank is currently conducting a retrospective of P4R and a retrospective of DPL is planned for 2015. In parallel, IEG is preparing an evaluation of the environmental and social aspects of DPLs. Management will review and reflect upon the conclusions of these retrospectives and the IEG evaluation.

ALIGNMENT WITH WORLD BANK GOALS

Q: How will the Proposed Framework contribute to achievement of Bank goals?

A: The World Bank's goals of ending extreme poverty and promoting shared prosperity can be achieved only by securing the long-term future of the planet and its resources, ensuring social inclusion and limiting the economic burdens on future generations. The Bank is committed to environmental and social sustainability across all its activities. Through the review and update of the safeguard policies, we aim to translate these global aspirations to projects supported by the Bank through investment project financing, to ensure that such issues are properly addressed.

Q: How does the Proposed Framework fit with the World Bank's strategic engagement?

A: The Proposed Framework will contribute to achievement of the World Bank's goals. While the Proposed Framework applies at the project level, its proper implementation will have a demonstration effect for activities beyond the project itself. The World Bank works at many levels, and 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, which include the Strategic Country Diagnostics and the Country Partnership Framework, complements the Bank's involvement at a project level. The Bank will continue to engage at a country level, and will use project experience to inform strategic initiatives.

RESOURCES AND CAPACITY BUILDING

Q: Will the Proposed Framework have cost implications for the World Bank and for Borrowers?

A: One of the aims of the Proposed Framework is to allow for a better allocation of resources at the project level, commensurate with the risks of the project. While there will be costs involved in the initial stages of implementation, primarily associated with the costs of roll-out and capacity and skills enhancement, we believe that over time there will be efficiency gains.

Q: What is the proposed approach to Borrower capacity building, and how will it be resourced?

A: Capacity building will be tailored to the specific needs of the Borrower. Projects supported by the Bank will include capacity building as necessary. Management anticipates that funding for capacity building will come from a variety of sources including the Bank's own funds in line with the Country Partnership Framework, from the Borrower's own resources as necessary enhanced by project financing and technical assistance, development partner funding where available and reimbursable advisory services.

Q: How will the needs of countries with low capacity, such as FCS, be addressed?

A: Management believes that the Proposed Framework must be suitable for application across a wide range of Borrowers, with different resources and capacity constraints. Management is committed to providing all Borrowers with support for enhancing capacity in the application of the Proposed Framework. FCS will continue to be addressed under OP 10.00 (Investment Project Financing).

CLASSIFICATION OF PROJECTS

Q: Why is the World Bank proposing to change the current ABC categorization of projects?

A: The ABC categorization of projects focuses on an ex ante determination of the risks and impacts of the project, and determines the type of environmental and social assessment, consultation and oversight that will be required with reference to such categorization. Subsequently, unless the project is restructured, the categorization does not change over the life of the project. It is proposed that the new framework uses a more comprehensive classification (High, Substantial, Moderate and Low) which would include all relevant considerations, including the type, location and scale of the project; the nature and magnitude of the potential risks and impacts; and the capacity and commitment of the Borrower to manage such risks and impacts in a manner consistent with the ESSs. This approach will encourage Borrowers to focus on the actual risks and impacts of the project, and enable the Bank to allocate resources to projects that most need them. Importantly, the Bank would evaluate the risk rating of a project, and change it as needed to ensure an appropriate level of support and oversight is provided. Management intends to prepare guidance for staff on the application of the risk classification, and this will be shared with EDs' advisors over the following months for comment.

BORROWER'S COMMITMENTS

Q: Where will the Borrower's obligations be set out, and how will the Bank ensure that the Borrower complies?

A: The Bank will work with the Borrower to develop an Environmental and Social Commitment Plan (ESCP), which will form part of the legal agreement. The obligations of the Borrower will be set out in the legal agreement, and will include an obligation to ensure that the project meets the ESSs. The ESCP will set out the material measures and actions required of the Borrower to mitigate environmental and social impacts. It will be a living document, and, as necessary, will develop over time responding to the needs to the project. The legal agreement will include obligations on the Borrower to support the implementation of the ESCP, and specify remedies for the Bank in the event that the Borrower does not comply with its commitments. The Bank will continue to ensure that Bank funds are being used in accordance with the legal agreement, including the ESCP. Bank monitoring and implementation support will continue until the completion of the project. Grievance mechanisms will be established by the Borrower to address stakeholder concerns.

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SPECIFIC ISSUES ADDRESSED BY THE PROPOSED ENVIRONMENTAL AND SOCIAL STANDARDS

Q: Will the proposed framework weaken existing provisions to protect the environment, Indigenous Peoples and the poor?

A: The ongoing review and update of the World Bank's safeguard policies is aimed at broadening and strengthening the environmental and social protections in Bank-financed projects. The new proposed Environmental and Social Framework builds on the existing safeguards by consolidating them into a unified framework. This will improve the efficiency of application and implementation, which in turn will improve the effectiveness of the protections on the ground. The new framework also expands the coverage of existing safeguards by adding protections specifically on labor and on emerging risks, such as project impacts on climate change. Further, non-discrimination has been introduced as a core principle of the World Bank's Environmental and Social Framework, which stands for a renewed commitment to protecting the poor and other vulnerable groups from adverse impacts caused by Bank-financed projects.

Q: How does the new framework treat vulnerable and disadvantaged groups?

A: The proposed framework is very specific about the treatment of vulnerable or disadvantaged groups. It requires that the environmental and social assessment consider the risk that (i) the project impacts fall disproportionately on such groups and (ii) any prejudice or discrimination towards individuals or groups, including the vulnerable and disadvantaged, in providing access to development resources and project benefits. Where groups have been identified as vulnerable or disadvantaged, the Borrower is required to implement differentiated measure to address these risks.

Q: How are children protected?

A: Children are addressed in a number of ways in the proposed framework. Firstly, they are explicitly included in the description of 'disadvantaged or vulnerable', which means that the environmental and social assessment must assess the impacts on them in the context of the project. The definition makes it clear that considerations relating to age include minors, including in circumstances where they may be separated from their family, the community or other individuals on which they may depend. With respect to labor, the framework contains requirements on prohibiting the employment of children under the age of 18 in connection with the project in a manner which is likely to be hazardous or interfere with the child's education or be harmful to the child's health or physical, mental, spiritual, moral or social development.

Q: What is the Alternative Approach for Indigenous Peoples?

A: The proposed alternative approach would only be used in exceptional circumstances, and only if the Bank is convinced that it is necessary. Any alternative approach requires approval by the Board of Executive Directors. There are two circumstances in which application of the alternative approach may be requested by a Borrower: (a) to avoid a serious risk of exacerbating ethnic tension or civil strife or (b) where identification of IPs is inconsistent with the constitution of the country. The Bank will require a detailed procedure to be followed. This procedure will include consultations with the affected Indigenous Peoples. The World Bank will have sole responsibility for deciding whether the approach can be used. If an alternative approach is adopted, risks and impacts on Indigenous Peoples will be addressed through the application of the other ESSs

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Q: What does the proposed framework say about requirements to conduct prior consultation with Indigenous Peoples, particularly where the project will be developed on Indigenous Peoples traditional land?

A: The proposed framework aims to extend protections for Indigenous Peoples, and introduces the requirement to obtain the Free, Prior and Informed Consent of Indigenous People in specified circumstances. The proposed requirements apply when a Borrower intends to locate a project, or commercially develop natural resources, on land traditionally owned by, or under the customary use or occupation of Indigenous Peoples, and adverse impacts are expected.

Q: Does the proposed framework continue to protect ecologically sensitive areas?

A: The purpose of the review and update of the World Bank's safeguard policies is to promote the institution's goals: to end extreme poverty and to promote shared prosperity in a sustainable manner in all its partner countries. The new framework is designed to deliver efficiently on the two goals whilst 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.

The new framework would strengthen the conservation of biodiversity and the management of living natural resources, including forests. The proposed framework builds upon the existing policies on natural habitats and forests and strengthens requirements for assessing and mitigating impacts of Bank-financed projects on biodiversity. The proposed framework retains the existing prohibitions of the natural habitat policy, and states that Bank funds cannot be used to finance or support plantations that involve the conversion or degradation of critical habitats. The proposed framework improves the current safeguards by introducing more stringent requirements and by providing more clarity on how risks and adverse impacts on all natural habitats must be mitigated.

Q: Will the new framework set out clear requirements so that the World Bank can assess whether Borrowers comply with the ESS?

A: The new framework proposes that the ten Environmental and Social Standards with their mandatory requirements will always apply to a project. The Borrower will be required to conduct a comprehensive assessment of the social and environmental risks of the project. The environmental and social commitment plan, agreed between the World Bank and the Borrower and forming part of the legal agreement, will record the mitigation measures and actions required of the Borrower, including the timelines in which these must be implemented.

Q: How will the proposed labor requirements impact Bank funded projects?

A: The proposed Environmental and Social Framework introduces stronger focus on protecting workers. The proposed standard integrates the existing provisions of the Bank's Environmental Health & Safety Guidelines regarding occupational health and safety, and expands them to address issues such as child and forced labor, terms and conditions of employment, non-discrimination and equal opportunity.