

OED Special Evaluation Study (SES) on Safeguard Policies and Management Responses

Issues and Recommendations

I. OED Special Evaluation Study on Environmental Safeguards (2006)

Recommendations by OED	Management Response	SPU Actions
<p>Review of the 2002 Environment Policy and Potential Refinement (paras. 195–207)</p> <p>a) Refocus efforts “from front-end loan processing and approval to results delivery, and from safeguards to enhancement”</p> <p>b) Integrate ADB requirements with national procedures</p> <p>c) Broaden the focus of ADB safeguard activities from “the project” to “environmental capacity”</p> <p>d) Integrate environmental and social safeguards</p>	<p>a) Management fully agrees that ADB’s safeguard policies and procedures need to be outcome oriented. In this regard, Management would emphasize the importance of achieving an appropriate balance between front-end processing and implementation to ensure effective delivery of results. With regard to SES proposals to refocus from “safeguards to environmental enhancement,” we would note again that ADB’s activities to address the wider, non-safeguard elements of the environment policy were not reviewed in the SES. We therefore assume that the SES is referring to the role of environment assessment in promoting environment enhancement at the project level, and we agree that this should be emphasized in the safeguard policy update.</p> <p>b) We agree that ADB needs to pay due attention to the respective policy and institutional contexts in which ADB’s safeguard policies are to be applied. While several developing member countries (DMCs) have developed environment assessment systems, often with the assistance of ADB and the World Bank that meet or approach international standards of practice, the issue of enforcement at the level of projects remains a crucial consideration. Since all ADB projects must comply with both ADB policies and each DMC’s own environment assessment requirements, there is a clear need to ensure alignment in the delivery of these requirements.</p> <p>c) The SES suggests that attention paid to project compliance with safeguard requirements has come at the cost of broader safeguard capacity building efforts at country or sector level. If we understand the text correctly, the suggestion is that efforts at broader capacity building may substitute for attention to safeguards at project level. Our experience is that both project compliance and broader capacity building are important and that they are complementary. To the extent that a trade-off exists in the allocation of scarce resources, we would need to continue to ensure procedural and substantive compliance of individual projects with ADB’s safeguard policies. At the project level, this includes capacity building in the context of environmental management plans.</p> <p>d) The SES does not explain what it means by integration nor does it appear to have studied or</p>	<p>a) The issue of balancing a front-loaded procedural approach with one more focused on results delivery is addressed in the proposed SPS by emphasizing capacity building, and monitoring and supervision during project implementation. The wider non-safeguard elements will be addressed in the upcoming Environment Strategy.</p> <p>b) An approach for strengthening and using country safeguard system (CSS) is proposed in the SPS and Appendix 2.</p> <p>c) Strengthening borrower/client’s capacity to manage social and environmental impacts/risks is emphasized as a common objective of the safeguard policies, and incorporated in the strengthening and use of country safeguard system, project processing and implementation.</p> <p>d) The three safeguard policies are consolidated in</p>

Recommendations by OED	Management Response	SPU Actions
	<p>presented substantive findings on the issue of integration. However, Management agrees that there is merit in ensuring consistency and synergies across the safeguard policies and procedures. This will be considered in the context of the safeguard policy update.</p>	<p>the proposed SPS. Consistency and synergies of requirements and procedures across the safeguard policies are also addressed in preparing the three sets of policy principles requirements for borrowers.</p>
<p>Strengthening Organizational Effectiveness (paras. 208–211)</p> <p>a) Consolidate regional department environment specialists in the sector divisions within a safeguard unit under the region</p> <p>b) Strengthen ADB Resident Missions (RMs)</p>	<p>a) Management believes that arrangements within operations departments need not adopt a “one size fits all” approach. Operations departments are responsible for implementation of ADB’s safeguard requirements as well as the broader environment agenda in their regions and DMCs. They need the flexibility to tailor their arrangements to the needs of their clients. Furthermore, all environment specialists perform a mix of safeguard and non-safeguard functions, and placing them within a safeguard unit would limit the role of operations departments in mainstreaming environment in ADB operations.</p> <p>b) The proposals to strengthen Resident Missions with environment specialist expertise certainly merit serious consideration.</p>	<p>A study on resources implication to SPU is ongoing. Based on the findings of this study, a Safeguard Policy Implementation Plan will be developed to address staffing and resource allocation at W-paper stage.</p>
<p>Improving the Quality of ADB’s Environment Assessment Process and Lowering Transactions Costs to Make it More Cost Effective (paras. 212–217)</p>	<p>In particular, we agree with the suggestions to review environmentally sensitive Category B project classification, opportunities to reduce transaction costs included for sector loan sub-projects, and the need to improve monitoring. We also agree that ADB should not shy away from environmentally sensitive projects, where appropriate capacity exists to address the environmental impacts. We recognize that the quality of environment assessment has varied across projects, ranging from high quality assessments for complex and sensitive projects to more basic assessments for routine subprojects in sector loans, and we are seeking to improve both procedural compliance and substantive quality through ADB’s safeguard compliance system. The peer reviews of EIAs now organized by the Environment Community of Practice are also seeking to ensure ADB-wide consistency and quality. We are also committed to continuing to seek to promote international best practice through ADB projects, and together with the World Bank and other MFIs, we have developed common principles for environment assessment in the context of harmonization efforts. In this regard, we would note the increasing application of strategic environment assessment, assessment of cumulative and induced impacts, and third party monitoring especially in the context of complex and sensitive projects. Regular training programs are also being provided to ensure that environment specialists and mission leaders are abreast of evolving environment assessment practice. Management agrees that the suggestions</p>	<p>The SPS proposes to remove the environmentally sensitive Category B.</p> <p>The World Bank Group’s safeguard policies and their implementation experience in the following areas have been taken as reference: (i) the World Bank’s Piloting the Use of Borrower System to Address Environmental and Social Safeguard Issues; (ii) the World Bank safeguard policies and IFC’s Sustainability Policy and Performance Standards on involuntary resettlement, Indigenous Peoples, environmental assessment, pollution prevention and abatement, biodiversity and natural resources management, and physical cultural resources; and (iii) the World Bank Group’s Environmental, Health, and Safety Guidelines.</p> <p>Specific requirements on strategic environmental assessment, cumulative and</p>

Recommendations by OED	Management Response	SPU Actions
	made by the SES should be reviewed in the safeguard policy update.	induced impacts, and third party risk management are introduced in the draft SPS and requirements for borrowers/clients.
<p>Improving the Effectiveness of Public Disclosure and Partnerships with Nongovernment Organizations and Civil Society on the Environment (paras. 218–223)</p> <p>a) Revisit the rule that summary environmental impact assessments (SEIAs) are disclosed 120 days before Board consideration of a category A project.</p> <p>b) The SES states that the “involvement of the environment specialists within the project team directly responsible for gaining approval has compromised the perceived independence of the (environment assessment) process.”</p> <p>c) “Ways of constructively engaging with nongovernment organizations in monitoring and implementation should be explored in RSDD’s review of the environment</p>	<p>a) Management agrees that the timing of disclosure of SEIAs should be reviewed, and that there may be merit in shortening the disclosure period. It is noted that, in addition to subsequent disclosure of SEIAs, Category A projects also require consultation with affected people at least twice during the environment assessment process, including disclosure of information in a form and language that they can readily understand.</p> <p>b) Management believes that involvement of operations department environment specialists in project teams is crucial to successful integration of environmental concerns in ADB projects. We also believe that ADB’s safeguard compliance system led by ADB’s Chief Compliance Officer provides appropriate independent review of environment assessments.</p> <p>c) Management agrees with this suggestion.</p>	<p>Taking into account of other MFIs’ approaches, SPS proposes: (i) ADB will disclose on its website (i) draft EIA reports at least 120 days before Board consideration for public sector projects, and at least 60 days before Board consideration for private sector projects; (ii) draft IEE reports at least 30 days before Board consideration for both public and private sector projects; and (iii) draft IR plans and IP plans before appraisal. ADB will post on its website the final or updated environmental assessment, RP, IPP upon receipt.</p> <p>Departmental responsibility on due diligence, review and clearance of environmental safeguard documents are further clarified in the draft internal review procedures (draft OM).</p> <p>Provisions that “retain, for projects with significant impacts and risks, qualified and experienced external experts or qualified NGOs to verify monitoring information”, and “involve key stakeholders, including project-affected people and NGOs early in the project preparation and ensure that their views and concerns are made known and understood by decision makers and taken into</p>

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policy.”		account” are included in the proposed SPS.
Moving Towards Adoption of Improved Country Systems and Harmonization with Other Development Partners in Selected DMCs (paras. 224–228)	<p>Management agrees that the strengthening of country safeguard systems is an important development objective, and ADB should continue to support DMCs in this regard. We are pleased that the final version of the SES has taken into account earlier internal comments on the need for a cautious and phased approach to any proposals for wide application of country systems for ADB projects. Such proposals would need to be based on a transparent and rigorous assessment of the commonalities between a country’s system and ADB safeguard policy requirements, and also the capacity within countries to deliver and enforce their own safeguard requirements. Such assessments should also take into account the complexities of country systems, including the reality that the nature and robustness of environment assessment processes vary across within the scope of the SES were not able to respond to these considerations probably because of time and resource constraints (para. 201) and therefore are not a basis for categorizing countries in various groups. <i>TA 6285-REG: Strengthening Country Systems</i> is currently reviewing country systems in selected DMCs and identifying possible approaches to be considered in the safeguard policy update.</p> <p>With regard to proposed harmonization with other partners, we would like to note that close consultation is already taking place with the World Bank on its pilot application of country systems for safeguards, both in the context of the MFI working group on environment and at country level. We agree that lessons from the World Bank experience will be relevant, including those on the incremental costs of upstream due diligence and downstream supervision.</p>	<p>An approach for strengthening and using country safeguard system (CSS) is proposed in the SPS and Appendix 2.</p> <p>The World Bank Group’s safeguard policies and their implementation experience in the following areas have been taken as reference: (i) the World Bank’s Piloting the Use of Borrower System to Address Environmental and Social Safeguard Issues; (ii) the World Bank safeguard policies and IFC’s Sustainability Policy and Performance Standards on involuntary resettlement, Indigenous Peoples, environmental assessment, pollution prevention and abatement, biodiversity and natural resources management, and physical cultural resources; and (iii) the World Bank Group’s Environmental, Health, and Safety Guidelines.</p>
Developing an Action Plan to Implement the Revised Environment Policy (para. 229)	<p>Management agrees that an action plan will be required to implement the updated policy on environment safeguards, which should include a realistic assessment of required resources. Management, however, does not share the view that ADB should consider a dilution of its safeguard policy objectives and principles [para. 229 (ii)]. The safeguard policy update will instead explore more efficient and effective delivery mechanisms of these policy objectives and principles.</p>	A Safeguard Policy Implementation Plan will be developed to address staffing and resource allocation at W-paper stage.

II. OED Special Evaluation Study on Involuntary Resettlement Safeguards (2006)

Recommendations by OED	Management Response	SPU Actions
A. Recommendations for the Update of the Safeguard Policies		
Management and the Board need to reconcile the difference between the 1995 Policy and the currently applied policy (para. 166)	Management recognizes that there are ambiguities in the 1995 Policy on Involuntary Resettlement. We believe that successive versions of the Operations Manual were able to clarify these ambiguities and elaborate on operational procedures consistent with the intent of the policy. Management acknowledges the need to ensure that the updated policy to be submitted for Board approval provides full clarity on its scope, objectives, and principles. We also believe that the policy should be accompanied by clear operational procedures for delivery of results.	Policy scope and triggers are clarified in the draft SPS.
The policy should have a results-based framework distinguishing desired impact, outcomes, outputs, activities, and inputs both at macro (country) and micro (project) level (para. 167)	Management agrees that achievement of results should guide the policy update. The substance of the recommendation as laid out in para. 167 deserves further review.	Desired outcomes are reflected in policy objectives and principles, performance requirements leading to the desired outcomes are proposed in Safeguard Requirements for Borrower/Clients (SR 1-4). ADB's responsibilities for capacity building and assisting DMC to strengthen their safeguard systems are proposed in the SPS.
The updated policy should highlight a set of performance standards (para. 168)	Management agrees in principle that the concept of performance standards is relevant and merits consideration in the safeguard policy update. We note that a set of performance standards for safeguards have been introduced for the first time in the context of International Finance Corporation's recently approved safeguard policies and procedures, and experience with these may be relevant.	A set of safeguard requirements for borrowers/clients (comparable with performance standards) are proposed in SR 1-4.
The updated policy should elaborate on the objective of greater reliance on country executing agency systems for land acquisition and resettlement safeguards (para. 169)	We agree that consideration should be given to greater reliance on country systems where this does not compromise achievement of safeguard policy objectives. We would note that it is already an established practice for resettlement frameworks and plans to take into account country and executing agency systems, with filling of gaps as required to meet ADB safeguard policy provisions. Over time, such gaps can be expected to diminish, especially with support of development partners, although this might only be a longer-term prospect in several developing	ADB is developing an approach for strengthening and using CSS, and supporting DMCs' efforts to enhance their own safeguard systems.

Recommendations by OED	Management Response	SPU Actions
	member countries (DMCs). We would point out that <i>TA 6285-REG: Strengthening Country Systems</i> is reviewing possible approaches for assessing country systems and their increased application. The results will be considered in the safeguard policy update. We are also in close consultation with the World Bank on the performance of its pilot program on the application of country systems.	
The updated policy should have clear guidelines and procedures regarding the identification of resettlement operation needed (para. 170)	Management agrees with this recommendation. We have noted the issues and recommendations summarized in Box 3 and agree these should be considered as part of the safeguard policy update. The need for clarity in guidelines and procedures will be addressed through the revisions to the Operations Manual that will accompany the updated policy and through the revised Handbook on Involuntary Resettlement that will follow. A key issue will be to formulate operational procedures that improve the relevance and effectiveness of resettlement planning and implementation, and address opportunities to reduce transactions costs.	Guidance to ADB staff is provided in the draft internal review procedure (draft OM) and revision of IR Handbook is underway.
The updated policy should be clearer on guidelines and procedures regarding compensation and assistance within resettlement operations (para. 171)	Management agrees that the issues and suggestions in Box 4 should be considered in the safeguard policy update. The need for clarity in guidelines and procedures will be addressed in the revisions to the Operations Manual and the Handbook.	General guidance to ADB staff is provided in the draft internal review procedure. IR Handbook will be revised to add detailed technical guidance and clarity.
B. Recommendations for Involuntary Resettlement Implementation		
The SES finds that there are significant constraints on staff resources to implement the Involuntary Resettlement Policy and to ensure strong engagement with executing agencies in this regard (para. 172).	Management agrees that this issue warrants serious attention. We have noted that among the three suggested options to address this issue, one is to consider “changing the policy in ways that will be less staff intensive for ADB.” In this regard, Management believes that the emphasis should be to improve the efficiency and effectiveness of operational procedures without compromising policy delivery. This will be explored in the safeguard policy update, along with options to optimize internal resource allocation.	A study on resources implication is ongoing. Based on the findings of this study and following the consultations, a Safeguard Policy Implementation Plan will be developed to address staffing and resource allocation at W-paper stage.
Formulate a time-sequenced implementation plan (para. 173 [i])	As part of the safeguard policy update process, we agree that the updated policy and operational procedures should be accompanied by a time-	A Safeguard Policy Implementation Plan will be developed to address the issues of staffing and resource

Recommendations by OED	Management Response	SPU Actions
	bound action plan that includes a realistic assessment of resource requirements and their optimal allocation. The options offered for inclusion in this plan will be considered, including the need to strengthen specialist expertise in resident missions and to review responsibilities of RSES and the Operations Departments.	allocation at W-paper stage.
Improve IR monitoring (para. 173 [ii])	Management agrees that monitoring and supervision of involuntary resettlement implementation needs more attention. We would note that the policy update is looking at ways to balance procedural requirements during processing with increased attention to project implementation. We would point out that partnerships with nongovernment organizations and civil society organizations are already being integrated into resettlement plan implementation and monitoring processes, particularly in DMCs with a strong and reputable nongovernment organization base. This recommendation merits attention in the safeguard policy update.	<p>Monitoring and reporting requirements for borrowers/clients and supervision requirements for ADB staff are delineated in the proposed SPS.</p> <p>Provisions that “retain, for projects with significant impacts and risks, qualified and experienced external experts or qualified NGOs to verify monitoring information”, and “involve key stakeholders, including project-affected people and NGOs early in the project preparation and ensure that their views and concerns are made known and understood by decision makers and taken into account” are included in the proposed SPS.</p>
Get more involved in building country systems and capacity (para. 173 [iii])	Management agrees that the strengthening of country systems and capacity is a sound development objective that should continue to be pursued. RETA 6285 will elaborate an approach for assessing equivalence between country systems and international best practice, as well as associated capacity constraints. This will allow identification of gaps at country and sector levels for targeted capacity building by ADB and other development partners.	The overall objectives of the safeguard policies as stated in the consultation draft emphasize capacity building. An approach for strengthening and using country safeguard system is proposed in the consultation draft of SPS and Appendix 2.

III. OED Special Evaluation Study on Indigenous Peoples Safeguards (2007)

Recommendations by OED	Management Response	SPU Action Areas
<p>The safeguard policy update should clarify the areas that cause misunderstanding in the 1998 Policy on Indigenous Peoples and address the policy drift related to OM Section F3 and IP practice in ADB (para 176)</p>	<p>Management agrees that there is a compelling need to ensure clarity in the IP Policy. Management, however, disagrees with the suggestion that there is a "policy drift" in the provisions of Operation Manual Section F3. In terms of application of IP definition, scope of the Policy and consultation process for IP, recent versions of the OM F3 sought to further clarify some ambiguities in the Policy while maintaining consistency with its original intent and objectives. The IP Policy and OM F3 recognize the variety of definitions and contexts that exist, and the difficulty of arriving at a uniform definition of IP in Asia. Both the Policy and OM use "IP" as a generic term, providing guidance on how to identify IPs for the purpose of policy application, based on the characteristics of IPs and the specific circumstances under which IPs are vulnerable to external development interventions. Management intends to ensure that the updated safeguard policies to be submitted for Board approval provide clarity on definitions, scope, objectives, and principles.</p>	<p>The definition of Indigenous Peoples, the scope and triggers of the Policy on Indigenous Peoples are provided in the proposed SPS, which are consistent with World Bank's approach.</p>
<p>ADB should set goals for the development of IP and IP strategies for some DMCs where ADB's forward program involves considerable interaction with IP (para 177)</p>	<p>Management agrees that ADB should address IP development needs more broadly, in addition to addressing IP issues as project-specific safeguards. ADB already provides strategic assistance to address IP's broader socioeconomic and cultural needs and concerns as detailed in paragraphs 138-146. Although beyond the scope of the SPU, Management recognizes that the adequacy and significance of the assistance may still need to be further enhanced including the need to consider IP development when preparing Country Partnership and Strategies.</p>	<p>As special consideration, a section on Indigenous Peoples and Development is included in the Safeguard Requirement for Borrowers/Clients (SR3). The wider non-safeguard elements will be addressed in the upcoming IP Strategy and updated Social Protection Strategy.</p>
<p>If ADB maintains a stand-alone IP policy, it should include a results-based framework—distinguishing desired impact, outcomes, outputs, activities, and inputs, both at macro (country) and at micro (project) level (para 178)</p>	<p>Management agrees that a results-based framework is relevant and merits consideration.</p>	
<p>A sequential approach to policy development and capacity building in IP safeguards should be adopted, focusing on a few DMCs first (para</p>	<p>Management agrees with the principle of a sequential approach to policy and capacity development. We recognize that many DMCs differ considerably in their legal, policy and institutional framework for IP. As part of the ongoing RETA 6285: Strengthening Country</p>	<p>An approach for strengthening and using country safeguard system (CSS) is proposed in the SPS and Appendix 2. In addition to SPU, this issue is also addressed through country</p>

Recommendations by OED	Management Response	SPU Action Areas
179)	Systems, we are in the process of identifying an approach for assessing equivalence between current ADB Policy and country systems, as well as identifying gaps at country and/or sector levels for targeted capacity building.	partnership strategy exercise, policy dialogue, and technical assistance projects.
IPDPs should be prepared for projects that have clear risks for IP, which are capable of being mitigated through project interventions” and “IPDPs would be prepared only in cases where risks to IP are not covered in the resettlement and environment policies (para 180)	While the existing Policy requires the preparation of an IPDP for projects with significant impacts on IPs, both positive and negative, there can be differing perspectives as to whether IPDPs should be formulated only for projects with negative impacts. This recommendation will merit further discussion during the SPU. While Management agrees that duplication or overlapping of mitigation measures should be avoided, we disagree that a blanket policy statement be made on not requiring IPDPs for projects when the issues to be addressed are primarily resettlement and/or environment in nature. We believe that in many project areas where IPs are involved, greater social risks and impacts are evident and hence an IPDP can be deemed necessary to maintain a holistic approach. Management agrees that the issue warrants further review in the SPU.	This recommendation is under review.
Conceptual work and case study work is needed to lay out the particular risks for IP associated with different categories of investments, as there is currently a high degree of divergence in approaches to the definition of these risks. (para 181)	Management agrees with this recommendation. The updated IP Handbook will include “typical” scenarios or sector-specific “triggers” that help identify cultural, social and environmental impacts and risks on IPs, including land and resettlement impacts.	An IP Handbook is under preparation.
The safeguard policy update should describe the criterion to be used to determine whether the amount of consultation and broad communication support for a project and mitigation measures is adequate and in what circumstances ADB endorses the principle of free, prior and informed consent for the project from the side of IP. (para 182)	Consultation and disclosure requirements will be reviewed as part of the SPU, along with assessment of practices applied by other multilateral development banks.	Taking into account of external consultation, internal discussions, and the practice at other MFIs, two options are proposed in the SPS: Option A: Ascertain that the affected Indigenous Peoples’ communities provide their consent to the following project activities, on the basis of free, prior, and informed consultation in accordance with their cultural traditions, customs, and practices, These activities are (i) commercial development of the cultural resources and knowledge of Indigenous Peoples, (ii) physical relocation from traditional or customary lands, and (iii) commercial development of

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		<p>natural resources on lands used or claimed with impacts on the livelihood, or cultural, ceremonial, or spiritual uses that define the identity and community of Indigenous Peoples.</p> <p>Option B: Ascertain that the affected Indigenous Peoples' communities provide their broad support to the following project activities, on the basis of free, prior, and informed consultation in accordance with their cultural traditions, customs, and practices, These activities are (i) commercial development of the cultural resources and knowledge of Indigenous Peoples, (ii) physical relocation from traditional or customary lands, and (iii) commercial development of natural resources on lands used or claimed with impacts on the livelihood, or cultural, ceremonial, or spiritual uses that define the identity and community of Indigenous Peoples.</p> <p>This issue will be further discussed during the internal and external consultations.</p>
<p>To complement the safeguard policy update, there is a need for an IP policy implementation plan that reconciles the policy aspirations with organizational, budget, and human resources implications (para 183)</p>	<p>Management agrees that the SPU should include a realistic assessment of resource requirements and their optimal allocation. The SPU will further study the suggestions in paragraph 183, specifically the human resource implications and the allocation of responsibilities for monitoring compliance and evaluation between RSDD, ODs, and RMs.</p>	<p>A Safeguard Policy Implementation Plan will be developed to address staffing and resource allocation at W-paper stage.</p>

Experience of Other Multilateral Financial Institutions

1. Over the past 5 years or so, many multilateral financial institutions (MFIs) have revised or updated their environmental and social safeguard policies. A review of the rationale, approach, and results of the policy revision has been undertaken as an input to ADB's Safeguard Policy Update (SPU). This note discusses experiences of World Bank (WB) and its private sector lending arm—the International Finance Corporation (IFC), Inter-American Development Bank (IDB), European Bank for Reconstruction and Development (EBRD), and Equator Principles Financial Institutions (EPFI).

World Bank

2. WB has ten environmental and social safeguard policies,¹ including a separate policy framework for using country systems. These policies are complemented by the WB Policy on Disclosure of Information (2002), which lays down disclosure requirements for safeguard planning documents.

3. In 1998 WB embarked on the update of its Indigenous Peoples (IP) policy that resulted in some policy clarification, simplification, flexibility, and strengthening. The revised Operational Policy on Indigenous Peoples (2005) (i) clarifies some ambiguities related to social assessment, screening, and scope; (ii) simplifies project processing requirement; (iii) introduces the principle of proportionality and a planning framework (instead of an up-front plan) for projects that involve preparation and implementation of annual investment programs and multiple subprojects; and (iv) requires WB to provide project financing only where free, prior and informed consultation results in broad community support of the affected IP, and that prior agreement of the affected Indigenous Peoples to commercial development of affected Indigenous Peoples cultural resources and knowledge is a condition to such development.²

4. In 2006 WB updated its Physical Cultural Resources (PCR) policy. The policy applies to projects located in, or in the vicinity of, recognized cultural heritage sites (archaeological, paleontological, historical, and sacred) and projects designed to support the management or conservation of physical cultural resources. It requires a consultative process and includes relevant project-affected groups, concerned government authorities and relevant nongovernmental groups.

5. While in the process of updating its Indigenous Peoples and PCR policies, WB was also evaluating the application of country safeguard systems in its operations. Recognition of the changing paradigm on the relationship between development effectiveness and greater use of country systems had led WB to explore further use of borrower systems in addressing environmental and social safeguard issues. The WB Executive Directors approved in 2005 a 2-year pilot program to explore further use of borrower systems and a new policy framework to govern the pilot program. The new policy describes the approach for assessing country systems, and specifies the respective roles of the borrower and WB, and the requirements for

¹ The ten policies include (i) OP/BP 4.01: Environmental Assessment, (ii) OP/BP 4.04: Natural Habitats, (iii) OP 4.09: Pest Management, (iv) OP/BP 4.12: Involuntary Resettlement, (v) OP/BP 4.10: Indigenous Peoples, (vi) OP 4.36: Forests, (vii) OP 4.11: Physical Cultural Resources, (viii) OP/BP 4.37: Safety of Dams, (ix) OP/BP 7.50 Projects on International Waterways, and (x) OP/BP 7.60 Projects in Disputed Areas. The last two policies principally relate to international law, and thus are not included in OP 4.00 on *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*.

² See the World Bank's website on indigenous people at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTINDPEOPLE/0,,menuPK:407808~pagePK:149018~piPK:149093~theSitePK:407802,00.html>

the documentation and disclosure of the basis for using country systems. The policy consists of a unified policy statement and eight safeguard areas distilled from current WB safeguard policies in a summary table format (OP 4.00: Table A1), each of which is composed of objective statements and associated operational principles for achieving the stated objectives.

6. In December 2007, the WB issued an evaluation report of its 2-year pilot program. The evaluation finds that, to achieve systemic and sustainable improvements in borrower capacity, it is necessary to move beyond the current project-based approach adopted under the pilot program. Consequently, the evaluation proposes to incrementally scale up the initiative from the project to the country level to engage borrowers and other development partners to apply a greater range of safeguards and build borrower capacity on a more sustainable basis than is feasible at the project level. Other main conclusions of the evaluation include: (i) Use of country system has helped to achieve WB policy objectives in two areas in particular: environmental assessment and physical cultural resources; (ii) Experience has been encouraging with respect to prospects of using country system, with gap-filing measures, for safeguards of Natural Habitats, Forests, Pest Management and Safety of Dams; (iii) For involuntary resettlement safeguards, the gaps between the WB requirements and country system may be too substantial in most cases to be filled by measures that are feasible to implement at project level; (iv) Although none of the projects attempted to pilot requirements pertaining to Indigenous Peoples, the situation is different than that for IR since a number of countries have updated their legal and policy framework covering this issue; (v) the WB has learned sufficient lessons to justify an incremental scaling up of the application of CSS for environmental and social safeguards, but not enough to support a move of full mainstreaming of CSS into WB lending.

7. In the longer term, the WB is considering a separate assessment of the potential use of a principles-based approach to safeguards for some types of operations, after an evaluation of the lessons learned in applying the IFC and MIGA safeguards policies is undertaken.

8. The WB Operational Policy on Environmental Assessment (OP 4.01) was updated in March 2007 to reflect the issuance of OP/BP 8.00 Rapid Response to Crises and Emergencies.

International Finance Corporation

9. The safeguard policies of IFC were adopted from the World Bank's policy in 1998, with modifications to reflect the private sector focus of its operations. In 2003 IFC launched an update of its safeguard policies following the findings and recommendations of its Compliance Advisor Ombudsman and the results of IFC's internal monitoring and evaluation analyses. The update was guided by the need for: (i) clear, simple, and easy to use requirements; (ii) addressing policy gaps; (iii) emphasis on private sector considerations while ensuring compatibility with WB safeguard policies; and (iv) incorporation of the concept of sustainability in IFC policies.

10. IFC's new sustainability policy framework, which was approved in 2006, clearly demarcates IFC responsibilities from those of its clients. Requirements for IFC are specified in the following: (i) Policy on Social and Environmental Sustainability, (ii) Disclosure Policy,³ and

³ The Disclosure Policy requires IFC to disclose the Environmental and Social Review Summary, which is a brief summary of IFC review findings and recommendations, no later than 60 days and 30 days prior to Board consideration for Category A and Category B projects, respectively. The Performance Standards (PS) specify the disclosure requirements for IFC clients. PS 1 (Social and Environmental Assessment Management System) provides that the assessment document for projects with adverse impacts must be disclosed before project construction commences. The timing of disclosure of resettlement action plans or resettlement frameworks, and

(iii) Environmental and Social Review Procedure. Requirements for clients are outlined in the Performance Standards.⁴ In addition, Guidance Notes (companion documents to the Performance Standards), Glossary of Terms, and Environmental, Health, and Environmental, Health and Safety Guidelines⁵ are developed to provide guidance to IFC's clients and IFC staff.

11. The new policy framework fully integrates social and environmental assessment, provides for an approach to community engagement through free, prior, and informed consultation leading to broad community support, introduces a labor standards and working conditions policy, and a new performance standard on community health and safety, and requires the establishment and maintenance by clients of social and environmental management system, among others. Formerly standalone policies such as pest management, safety of dams, forest, and international waterways were integrated into the eight new sets of performance standards.⁶ In November 2007, Management will report to the Board how IFC clients perceive the Performance Standards.

Inter-American Development Bank

12. The safeguard policy framework of IDB is set out in a number of its sector policies, including the Environment and Safeguards Compliance Policy (2006), Disaster Risk Management Policy (2007), Operational Policy on Indigenous Peoples (2006), and Operational Policy on Involuntary Resettlement (IR) (1998). Disclosure requirements are laid out in the IDB Policy on Information Disclosure (2006).⁷

13. The Environment and Safeguards Compliance Policy, which supersedes the Environment Policy (1979), implements and reinforces IDB's Environment Strategy (2003). Consequently, it contains policy directives both for environmental mainstreaming and for environmental safeguards.⁸ Among others, the environmental safeguard directives cover protection of critical natural habitats and cultural sites, avoidance of hazardous materials, and pollution prevention and abatement. Furthermore, the environmental assessment process for high safeguard risk operations deals with issues relevant to health and safety. For cofinancing operations, the policy promotes collaboration with borrowers and other lenders in adopting a single environmental assessment process and a unified documentation. Finally, for in-country safeguard systems, the policy lays down an approach similar to that of World Bank. Country systems will only be applied where IDB has determined that the borrower system is equivalent

Indigenous Peoples Development Plans or community development plans, is not explicitly stated in PS 5 (Land Acquisition and Involuntary Resettlement) and PS 7 (Indigenous Peoples), respectively.

⁴ The eight Performance Standards include (i) Social and Environmental Assessment and Management System, (ii) Labor and Working Conditions, (iii) Pollution Prevention and Abatement, (iv) Community Health, Safety and Security, (v) Land Acquisition and Involuntary Resettlement, (vi) Biodiversity Conservation and Sustainable Natural Resource Management, (vii) Indigenous Peoples, and (viii) Cultural Heritage.

⁵ See: http://www.ifc.org/ifcext/policyreview.nsf/Content/S_FAQs

⁶ IFC. 2005. *Performance Standards: What's New and Different*.

⁷ The IDB Policy on Information Disclosure provides that for operations requiring environmental impact assessments (EIAs) and/or other relevant environmental analyses, these analyses will be made available to the public in the borrowing country and IDB headquarters before IDB conducts its analysis mission, in the case of public sector borrowers, or its due diligence mission, in the case of private sector borrowers. As necessary, IDB also prepares an Environmental and Social Management Report which is made available to the public no later than the time at which the Loan or Guarantee Proposal has been cleared by the Executive Vice President for distribution to the Board of Executive Directors.

⁸ Under environmental safeguards, the policy requires an integrated screening and classification based on environmental and associated social impacts that are direct, indirect, regional, or cumulative in nature, including those of relevant associated facilities. IDB adopts a single project classification system

or superior to IDB's. In 2009, Management will report to the Board its experience with the use of country systems.⁹

14. The Disaster Risk Management Policy (2007), which replaces the 1999 Policy on Natural and Unexpected Disasters, requires a comprehensive approach addressing (i) prevention and mitigation of disasters, and (ii) post disaster response. The new Policy requires that, through its social and environmental screening and classification process, project teams identify if the projects have high exposure to natural hazards or have high potential to exacerbate risk; carry out a natural hazard risk assessment for projects that are found to be highly exposed to natural hazards or have high potential to exacerbate risk; conduct alternative analysis of prevention and mitigation measures; and include appropriate structural and non-structural mitigation measures in project design and implementation.

15. IDB's Operational Policy on Indigenous Peoples and Strategy for Indigenous Development (2006) seeks both development of Indigenous Peoples, as well as safeguarding of Indigenous Peoples and their rights against adverse impacts and exclusion in IDB-funded projects. This new approach complements the earlier focus of IDB on avoiding or mitigating the adverse impacts of IDB-projects on Indigenous Peoples. To further safeguard Indigenous Peoples rights in projects that have significant potential impacts and risks, IDB requires and verifies that the project proponent has, through good faith negotiation with affected Indigenous Peoples or groups, obtained agreements regarding the project and mitigation measures. The Policy on Indigenous Peoples also addresses the issue on uncontacted indigenous peoples in view of their exceptional nature, as well as their special vulnerability and the impossibility of applying prior consultation and good faith negotiation mechanisms. It requires the Bank to finance only those projects that respect the right of uncontacted Indigenous Peoples to remain in voluntary isolated condition and to live freely according to their culture.

16. The IR policy applies only to involuntary physical displacement of people caused by an IDB project. The policy aims to minimize disruption of livelihood of people living in the project's area of influence, by avoiding or minimizing the need for physical displacement, ensuring that when people must be displaced they are treated equitably and, where feasible, can share in the benefits of the project that requires their resettlement. Where the people that will be displaced involve Indigenous Peoples, IDB will only support operations if IDB determines that the resettlement component will result in direct benefits to them relative to their prior condition, customary rights will be fully recognized and fairly compensated, compensation options will include land-based resettlement, and the affected Indigenous Peoples have given their informed consent to the resettlement and compensation measures.¹⁰

European Bank for Reconstruction and Development

17. In May 2008, the European Bank for Reconstruction and Development (EBRD) adopted its new Environmental and Social Policy, along with ten Performance Requirements. This policy has replaced its 2003 Environmental Policy and will apply to all new projects appraised after 12 November 2008. The Environmental and Social Policy maintains the strategic directions set out in the 2003 Environmental Policy and addresses social dimensions of sustainable development more structured and comprehensively. Social dimension includes (i) labour standards and working conditions, (ii) involuntary resettlement, (iii) community health, safety and security, (iv) Indigenous Peoples and (v) cultural heritage.

⁹ IDB. 2006. *Environment and Safeguards Compliance Policy*.

¹⁰ IDB. 1998. *Operational Policy on Involuntary Resettlement*.

18. EBRD's policy was modeled on IFC's approach, whilst reflecting EBRD's region of operation with its specific characteristics and its commitment under the European Principles for the Environment to which EBRD is a signatory. In comparison to IFC, EBRD has two additional Performance Standards: (i) Financial Intermediaries; and (ii) Information Disclosure and Stakeholder Engagement.

19. Similar to other MFIs, EBRD also has a Public Information Policy (PIP), which was updated and approved, together with the Environmental and Social Policy on 12 May 2008. The new Public Information Policy sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations. At the same time, the PIP establishes clear lines of demarcation to distinguish information which is made publicly available from information which may not be disclosed on the grounds of being confidential. The PIP includes disclosure requirements for environmental and social impact assessments.¹¹

Equator Principles Financial Institutions

20. Equator principles financial institutions (EPFI) are those that have adopted the Equator Principles. The Equator Principles is a financial industry framework for addressing environmental and social risks in project financing. Adopted in 2003 by ten of the world's leading commercial banks, the Equator Principles are an offshoot of the desire of the banks to develop a common and coherent set of environmental and social policies and guidelines to be applied globally and across all industry sectors. Each of the EPFIs declares that it has or will put in place policies or business processes that are consistent with the Equator Principles. They commit not to provide loans to projects where the borrower will not or is unable to comply with their respective social and environmental requirements.

21. The Equator Principles were revised in July of 2006 (i) to reflect and be consistent with the IFC's Performance Standards on Social and Environmental Sustainability on which the original set of Equator Principles were based, and (ii) to incorporate learning from implementation and comments from a variety of stakeholders. The new Equator Principles apply to all project financing with capital costs of \$10 million or more.¹² Persuaded by the argument that environmental and social corporate responsibility makes good business sense, 61 financial institutions from 24 countries and operating in more than 100 countries have adopted the new Equator Principles as of August 2008.¹³

¹¹ The Bank will make available Environmental and Social Impact Assessments on "Category A" projects in its Business Information Centre in London and in the relevant EBRD Resident Office at least 60 days prior to consideration of the project by the Board of Directors for private sector projects and 120 days prior to Board consideration for public sector projects. Notification of the documents' availability will be posted on the EBRD website.

¹² The original threshold was US\$50 million. See explanation for this change, and other information on the Equator Principles at: <http://www.equator-principles.com/faq.shtml>.

¹³ See: <http://www.equator-principles.com/join.shtml>.