

Inquiries, Comments, and Suggestions on the Safeguard Policy Statement (second draft)

TO: safeguards_update@adb.org

FROM: bnkhan@wwf.org.pk

DATE: 4 December 2008

Dear Sir/Madam

Pls find attached the consolidated comments from WWF's various Network Offices, on the Second Draft of October 2008 of the Safeguard Policy Statement.

While we participated in the consultation workshop that was held in November, and provided comments during various group exercises as well, we thought it as pertinent and worthwhile to formally submit this set of written comments for ADB's future action, and for our future discussions together.

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Attachments: a/s

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Comments/Feedback by WWF on the Safeguard Policy Statement, Dec 4th, 2008

Rational of the Policy

Page 1 - Point 2: "balance a front loaded procedural approach with one more focused on results during implementation":

Whilst this makes sense from a bank perspective in terms of speeding up processes, but this might be really detrimental to the environment and people, because it moves from a precautionary approach to potentially a damage mitigation one. This is crucial for the other arguments below.

Policy Delivery Process - Environment Categorization: (Page 20 & 21 - Points 57-61)

Point 57 Environmental Screening:

If ADB would apply as an example screening of projects, do they actually also look into the options and alternatives of those projects, whether they were properly set up, so go up-front of detailed project or investment design? E.g. can energy efficiency efforts replace the need for additional generation? Can other renewables replace the need for a hydropower dam? Can additional hydro power dams on an already impounded tributary provide same electricity production with lesser impact than main stem dam? This is what WWF is working with a number of initiatives, first to do proper needs & alternatives analysis and only then an option assessment. We recommend carrying out Strategic Environmental Impact Assessments/Cumulative Impact Assessment as a rule for such projects.

Point 58: Environment Categorisation

OECD have a formal indicative list of Category A projects attached to their RECOMMENDATION ON COMMON APPROACHES ON ENVIRONMENT (<http://www.oecd.org/dataoecd/26/33/21684464.pdf>). Also in 2006 they did a public review of their categorisation. So we have two recommendations for ADB:

- a) do a similar list like OECD (which is so called international best practice) and
- b) publish annually an overview of their categorisation.

The recommendation under a) will then help to define what "highly complex and sensitive projects" (Footnote 14) would be, not only from an indigenous people's and social perspective, but also from the environment angle.

We suggest that WWF works with ADB on the structure and content of reporting framework (that would be industry leader – and certainly better than the bureaucratic eca model). ADB could steal a lead on both EBRD and IFC if they want to be bold.

Special Requirements: Multi-Tranche Financing Modalities (MTFM)/Multi-Tranche Financing Facility (MFF)(Page 24 Point 71)

The formulation of the last sentence in the paragraph: "application of safeguard framework is not appropriate for sector loans which are highly complex and sensitive". First, the definition of highly sensitive and complex in Footnote 14 is vague. Secondly, it opens the door for a lot of interpretation, so what safeguards will then be applied, e.g. for a highly complex national road infrastructure programme under MFF/MTFM, where sub-projects may be critical for the environment and the social side?

In general, the safeguard frameworks (point 72) for these multi-project facilities don't consider Strategic Environmental Impact Assessments or Cumulative Impact Assessments. There are

good examples where CIA were applied successfully by ADB (hydropower dams in Central Vietnam), so why not making it a rule rather than an exception or not even specify it?

Special Requirements: Financial Intermediaries (Page 24 and 25: points 74-76)

Finance belongs to the Core Areas of Intervention of the new Strategy 2020 of ADB. The formulation of the text for financial intermediaries contains terms like "appropriate", "potential significant", "relevant provisions", which are subject to a lot of interpretation. First, they should have a proper due diligence assessment of their financial institutions (FI) clients (know-your clients policy and track record of them), a thorough assessment of the FI environmental and safeguard procedures and policies and then also a much more precise intervention logic while working with FI than stated in those paragraphs.

With regards to Country/Sector/Agency Level Assessment-Determining Equivalence, WWF would expect transparency in identifying the gaps in capacities, and how these decisions are made.

Financial Intermediaries (Page 71: points 15 to 24)

WWF would appreciate if it is to be spelled out clearly as to who determines, and what oversight will ADB undertake to ensure that FI are not using a category C clause to avoid doing environment and social due diligence.

In terms of General Corporate Finance, something about the company's business projections and assumptions for future, should be made explicit– if they are expanding in new business lines, activities or locations do they have skills and capacities, and are they able to future-proof their company against carbon and climate change risks. All ADB clients should have climate change strategy and should not increase the carbon liability of ADB's balance sheet in a post-2012 world.

ADB Prohibited Investment Activities (page 29 Appendix 1)

We suggest that conversion or degradation of critical habitats should also be treated as 'no go', similar to IFC Performance Standard 6 and to World Bank Operational Policy on forestry and natural habitats. This should replace the primary forest (IX).