OVERVIEW

This document describes in brief the process to review and update the Asian Development Bank’s (ADB) environmental and social safeguard policy. While the implementation of the policy has been found to be satisfactory overall, both the policy and implementation performance can be strengthened. The policy update is planned to take around 2 years. Stakeholder consultation will be undertaken throughout the review process. Target groups will include project affected people, civil society organizations, government officials and private sector representatives from both developing member countries (DMCs) and non-DMCs to ensure ADB incorporates a range of different perspectives into the policy review.

BACKGROUND

The Safeguards Policy Statement (SPS) was approved in July 2009 and became effective in March 2010. The SPS consolidated three previous policies covering involuntary resettlement (1995), Indigenous Peoples (1998) and environment (2002), into one policy framework, with separate policy principles and borrower requirements for each of the three areas. The SPS also includes additional requirements for various lending modalities, such as financial intermediaries and emergency assistance, as well as requirements for the use of country safeguard systems.

OBJECTIVE OF THE SPS

Avoid, minimize, mitigate, and/or compensate for adverse project impacts on the environment and affected people; and help borrowers strengthen country systems and capacity.
1. **Changing development context in Asia and Pacific region, changing client needs, and new financing modalities.** Over the past 10 years the development needs of DMCs have changed, including evolutions in country safeguard systems. ADB lending has doubled, there are new lending instruments, and an increasing focus on private sector operations under Strategy 2030.

2. **Harmonization opportunities with safeguards policies of other multilateral financial institutions (MFIs) for sovereign and nonsovereign financing.** There has been an evolution of safeguard policies by other MFIs, including recent policy updates by World Bank (WB), the European Bank for Reconstruction and Development (EBRD), and Inter-American Development Bank (IADB), with increasing harmonization around key policy principles and standards.

3. **Opportunities to streamline procedures and address special needs.** Based on lessons learned from past operations and accountability mechanism cases, which highlight the need for increased focus on downstream implementation, including improved consultation, as well as addressing the special needs of fragile and conflict-affected situations, small island developing states, and the private sector.

4. **Recommendations from ADB’s Independent Evaluation Department’s (IED) Corporate Evaluation of the SPS, which concluded in May 2020.** The evaluation proposed to modernize the SPS and increase its relevance for both sovereign and private sector financing.

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**IED’s Recommendations on SPS’ Effectiveness**

- Modernize the SPS, increasing its relevance and customizing it for both sovereign and private sector financing by building on evidence from the SPS implementation experience and recent safeguard policy updates at other MFIs.

- Adopt a new approach in the policy to strengthening borrower systems, with a view to a more systematic improvement and pragmatic use of country systems.

- Introduce a new safeguard implementation framework, including an updated oversight structure and reporting lines that are strengthened and will contribute to more consistent safeguard outcomes across ADB.

- Underpin the safeguards policy and implementation framework with sufficiently detailed policy guidance (e.g., Operations Manual and Staff Instructions) and a range of operational guidance documents and good practice notes with established mechanisms for regular reviews and updates.

- Assess the necessary staffing complement to deliver the safeguards implementation framework and strengthen skills, empowering staff to deliver better safeguard outcomes.

*ADB management endorsed the IED recommendations on SPS effectiveness on 21 May 2020.*
Scope of the SPS Review

Broadening the scope of SPS to meet emerging needs and adopt more holistic approaches to safeguards with three areas that need to be considered carefully:

1. **Enhance integration** and synergy between environmental and social safeguards throughout classification, due diligence, and monitoring stages of the project across both sovereign and nonsovereign operations.

2. **Address thematic cross cutting and emerging issues** across environmental and social safeguards for both sovereign and nonsovereign operations.

3. **Better tailoring for new and existing lending instruments** for sovereign and nonsovereign operations.

Approach and Methodology

- **Background and thematic cross-cutting studies**
- **Review and revision of policy provisions**
- **Update procedures and requirements**
- **Preparations for policy roll out**

Informed through robust internal and external Stakeholder Engagement

Background Studies on Selected Topics

- **Policy Architecture**: strategic review and decision on model for the new policy structure, systems and institutional needs.

- **Safeguard Classification System**: consider adopting an integrated safeguards classification for environment, involuntary resettlement, and indigenous peoples to better understand their inter-relationships and risks.

- **Financing Instruments and Modalities**: Study to improve and strengthen safeguard provisions for different financing instruments and private sector lending (given increased private sector lending under Strategy 2030).

- **Fragile and conflict affected situations and small island developing states**: Adopting an effective safeguards approach to better design projects in these scenarios.

- **Country Safeguards Systems (CSS)**: Strategic future direction to investigate options and modalities for the greater more pragmatic use of CSS.

- **Papers on Specialized Topics**: Review of ADB’s current approach in addressing specialized topics such as: biodiversity, noise and vibration, pollution prevention, and occupational health and safety (including use of asbestos).
Cross-Cutting Topics and Emerging Issues

There are several existing ADB policies and strategies that cover cross-cutting topics—like poverty, gender, social protection, and climate change. Overall, these tend to focus on supporting wider development and Sustainable Development Goals at the DMC level. There are, however, some risk elements that could be considered within safeguards for these wider development issues.

There are also certain emerging topics that have started to be addressed within MFI safeguards and guidance—like sexual exploitation, abuse, and harassment—which ADB has already started to consider but not explicitly in safeguards.

Other MFIs are considering how these issues percolate down and emerge as project-level risks. The SPS update needs to consider what should be incorporated appropriately within the new safeguards policy. However, longer-term aspirational elements should be balanced and need to be addressed at a country-level with what is feasible to address as project-level safeguards.

Cross-cutting topics for possible integration – topics covered by existing ADB thematic policies, which could be better integrated with project-level risk assessments.

Core labor standards and working conditions; Indigenous Peoples issues; treatment of vulnerable groups (e.g., disability); gender, stakeholder engagement; and climate change

Emerging issues for consideration – issues covered in recently revised MFI safeguards policies and guidance:

Cultural heritage; primary supply chain risks; sexual exploitation, abuse and harassment; sexual orientation and gender identity
Once the policy provisions are designed, detailed technical guidance, operational manuals, and staff instructions will be developed.

Opportunities for streamlining processes and procedures, without compromising on results, will be considered. In line with IED recommendations, strengthened safeguard oversight functions, staffing and performance monitoring and management systems will be developed.

To guide this, the safeguard institutional models for other MFIs like WB, IFC, EBRD have been studied. From our study, it was also evident that the key issue for any model is to have clear well-defined reporting lines for safeguard staff and management of conflicts of interest. In this direction we are starting to work internally to provide more clarity on the role of safeguard staff and their reporting lines, including strengthening selection processes and performance review.

After the revised policy is drafted, training materials and e-learning modules will be developed to build awareness of DMC executing and implementing agencies, private sector clients, and ADB staff.
Stakeholder Engagement Planning

The start of the process will entail preparation of a stakeholder engagement plan and selected consultations will be conducted on the stakeholder consultation plan itself. Preliminary consultations have taken place with the NGO Forum for ADB in Manila in June 2020 and a range of Washington DC-based NGOs in July 2020.

This will be followed by a series of consultations to discuss the findings of the background studies and their implications for the policy revision.

Finally, consultation will be undertaken to solicit comments on the working paper.

A dedicated webpage for the policy review and update process has been developed (https://www.adb.org/who-we-are/about/safeguard-policy-review). To ensure transparency, key documents will be disclosed. This will also serve as a means to submit comments and ADB’s responses will be shared on the website.

Consultation during COVID-19
Consultation during COVID-19 will be conducted virtually through online platforms. Video calls for smaller groups and focus group discussions and webinars for information sharing with larger groups will be utilized.