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CODE Meeting : Wednesday, June 24, 2015

**Review and Update of the World Bank's Safeguard Policies
Environmental and Social Framework (Proposed Second Draft)**

We welcome the second draft of the proposed new Environmental and Social Framework (ESF) for Investment Project Financing. The World Bank urgently needs a modernized and updated approach to managing environmental and social risk, and we thank staff for their commendable efforts on this review over the last year.

CODE discussed the previous draft of the proposed ESF in July 2014. At that time the Board agreed for the papers to be released for consultation, but the content of the draft was not endorsed. Since then, several changes have been made to the proposed ESF based on feedback received during several months of extensive global consultations.

It is pertinent to clarify the balance that this new proposal has tried to strike. On the one hand, it effectively meets client countries' request for increased flexibility through: (i) adaptive management of project risks and impacts; (ii) increased use of borrower's own national systems; and (iii) a risk based system allowing for a more proportionate and efficient use of Bank and borrower resources. On the other hand, the proposed ESF contains a more modern and wider range of protections, as requested by many Executive Directors.

There are a number of areas where we would have preferred to see this draft go further, and we will continue to put forward specific proposals throughout the forthcoming consultations. Notably, human rights and labor standards deserve more emphasis, in accordance with their prominence within the international institutional architecture that the World Bank and its members are part of. We wish to emphasize that, while it is not the World Bank's job to monitor human rights performance in a country, we believe it is very much the responsibility of the Bank to ensure that its operations do not violate human rights through, for example, discrimination and exclusion. Moreover, we expect the Bank to respect the obligations assumed by its clients under international law, and to refrain from supporting activities that may contribute to violations of these obligations.

Notwithstanding the above, we appreciate that the framework needs to balance differing views among Board members and, taking this into account, we are prepared to endorse the current draft as the basis for a third and final round of consultations.

We thank management for the additional information provided on plans to implement the new ESF including staffing, accreditation, skills development, resourcing, accountability and decision making structures. Many of these initiatives relate directly to the work and careers of safeguards specialists in the Bank, and getting these elements right will be critical. However, we believe that a wider perspective is needed. The new Framework hinges on a dynamic and

adaptive approach to implementation, where the Bank works with borrowers to ensure compliance over the course of the project cycle. This will require a substantial culture change in the Bank – indeed a marked break from its past practice. We request management to further consider how to generate this wider institutional change to ensure successful implement of the new ESF, drawing on the insights about behavioral change contained in the WDR on Mind, Society and Behavior.

Successful implementation will also require a strong central unit in OPCS that has overall responsibility and accountability for rolling out of the framework. We note that while many other MDBs have opted to have a single safeguards unit, the World Bank will primarily implement the new ESF through two of its Global Practices: ENR and SURR. While we support this proposal, and wish to see implementation of the framework embedded in the Bank's broader efforts to promote environmental and social sustainability, we request management to propose indicators to monitor the merits of this institutional arrangement, and be prepared to make changes if required. We envisage that this will be part of the review of implementation that will be presented to Executive Directors six months after approval, and then annually thereafter. Furthermore, noting that our main objective in strengthening the effectiveness of the safeguard policies is to enhance the development impact of World Bank-supported projects, these reviews should also examine any evidence of additional development impact achieved by switching to the new framework.

The new ESF places some additional demands on clients and, as a result, envisages strengthening client partnerships through increasing the use of borrower frameworks where appropriate, and close cooperation on building countries' environmental and social risk management capacity. This is to be welcomed. We note that management proposes to establish an MDTF for capacity building, to which shareholders will be asked to contribute. This idea may have merit. However, we wish to emphasize that it is fundamentally the Bank's responsibility to ensure that it is able to deliver on the requirements of its own policies, regardless of the level of funding provided to the MDTF. It is therefore essential that core safeguards work remains financed from the Bank's own budget, and that capacity building efforts should also continue to be supported by Bank-financed technical assistance and lending operations, in addition to the MDTF.

Taking account of these points we request management to provide, as early as possible during the forthcoming consultations, a comprehensive and costed implementation and monitoring plan covering accountability structures, staffing, incentives and capacity building.

We support the proposals outlined for the next round of consultations, and urge management to dedicate adequate staff resources to ensure that these are well managed and in line with the Bank's own policies.

Consultations should focus on how to best implement the ESF, especially in thematic areas where there is the greatest variance in views among stakeholders. The Bank should also

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ensure that there is an appropriate range of stakeholders present including government representatives, technical experts and civil society representatives. We hope that these consultations will be brought to life by real-life case studies, building on the work presented to Executive Directors at a seminar on 12th June 2015. This will help identify any remaining gaps in the proposed framework and facilitate discussions on how the new ESF can be best implemented in practice.

Finally, we would like to emphasize that there is more to safeguards than the ESF itself. Another avenue for better protecting people and the environment is to strengthen the Inspection Panel's mandate. We look forward to discussing this in the near future in the context of CODE.