INTEGRATED SAFEGUARDS SYSTEM WORKING PROGRESS

STRATEGIC CHOICES MADE IN THE DESIGN OF THE INTEGRATED SAFEGUARDS SYSTEM (ISS):

Draft Report on Options for the ISS

March 2012

*Questions on this document should be referred to:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Ext.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. S. Mizrahi</td>
<td>Director</td>
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<td>Division Manager</td>
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This Options Report provides an update on the process of developing an Integrated Safeguards System (ISS). The ISS draws from existing Bank policies and introduces a set of new Operational Safeguards (OSs), which are a set of brief and focused policy statements that clearly set out the operational requirements with which Bank-financed operations must comply. Unlike other multilateral development banks, the Bank does not yet have a comprehensive set of operational safeguards. In line with commitments made during the General Capital Increase (GCI) and African Development Fund 12 (ADF 12), the current process addresses this deficit. In addition, the ISS will embody a revised set of Environmental and Social Assessment Procedures (ESAP) supported by guidelines that clearly set out how the Bank and the borrower/client should implement the OSs during the project cycle.

A number of sensitive decisions were made by the Compliance and Safeguards Division (ORQR.3) with support from Environmental Resources Management (ERM) and in consultation with focal points representing different Bank departments on the scope and content of the OSs (presented in the attached documents). These decisions were based on a thorough review of the other Multilateral Development Banks’ safeguard systems and best practices, and after drawing on existing Bank policies and lessons learned. Proposed changes are presented below:

**Coverage of both public and private operations:** The scope of application of the Integrated Safeguard System (ISS) is widened to cover i) all lending and non-lending as well as ii) public- and private-sector operations. The application of the same system will avoid having two separate processing schedules while allowing special provisions to be applied at key stages for private operation (e.g. disclosure for category 1 projects). The ISS provides more integration between social and ecological considerations, including as well as climate-change issues.

**Introduction of operational safeguards:** The new ISS is composed of: i) a general policy statement (a declaration of the Bank’s commitment to environmental and social sustainability and to reducing potential risk of non-compliance to Business Processes and Products); ii) operational safeguards (a brief and focused set of policy requirements that clearly sets out the Bank’s requirements to borrowers and to the Banks’ operations departments; iii) updated Environmental and Social Assessment Procedures (guidance on how to implement the operational safeguards at each stage of the project cycle); and iv) updated technical guidelines (detailed guidance materials on methodological or technical issues).

**Strengthening country systems:** The system is designed to rely primarily on due diligence rules and capacity of country systems with the technical support of sector-department staff who will perform the bulk of the activities on compliance requirements, encompassing direct counseling for borrowers, review and validation of documents, input to technical work, and monitoring and reporting of compliance issues.

**Coverage of policy and program lending:** Strategic Environmental and Social Assessment is introduced for ensuring sustainability of policy and program lending operations as well as the principle of developing an Environmental and Social Management Framework, rather than an Environmental and Social Management Plan, for program lending operations.
Broad coverage of social issues including those related to indigenous peoples: Issues concerning indigenous peoples are addressed through by integrating a number of essential social safeguard principles, such as: consideration of community impacts, vulnerable groups (including minorities, women, indigenous people and cultural heritage; adoption of free, prior and informed consultation; and establishment, at the project level, of genuine grievance and redress mechanisms.

Harmonization with other banks, but not uniformity: In light of this drive toward greater harmonization, the Bank has decided that there are significant benefits in learning from the experience of other multilateral development banks. The Bank is therefore undertaking joint work on addressing emerging issues and participating in the process of increased harmonization. In addition, the Bank has agreed with the World Bank and the Islamic Development Bank to co-operate in the process of updating their safeguard systems.
I. INTRODUCTION

The African Development Bank (the Bank) is developing an Integrated Safeguards System (ISS), building on its existing set of cross-cutting and sectoral policies and its current Environmental and Social Assessment Procedures (ESAP).

The Bank intends the ISS to have the following components:

- **Safeguard Policy Statement**: Declaration of intent, principles and commitments of the Bank for the sustainability of its operations,
- **Operational Safeguards (OSs)**: brief and focused set of policy statements that clearly set out the requirements with which Bank-financed operations must comply,
- **ESAP**: procedural guidance on how to implement the OSs at each stage in the project cycle,
- **Technical guidelines**: detailed guidance materials on methodological or technical issues.

*Figure 1* presents a conceptual diagram of the constituent elements of the ISS.

![Conceptual Diagram of the ISS](source)

Environmental Resources Management Limited (ERM) was commissioned in March 2011 to assist ORQR.3 to support the preparation of the ISS in the following activities:

- Drafting of a set of OSs proposed following discussion with sector departments;
- Drafting of a revised set of ESAP for both public- and private-sector operations;
- Making recommendations about the operational effectiveness of implementing the revised ESAP; and
- Making recommendations for upgrading the existing guidance materials.
This report presents the options for establishing the ISS, including a Policy Statement, the OSs, the ESAP, and a proposal for a set of technical guidelines. This report provides the Bank with the basis for proceeding to external consultations.

II. BACKGROUND

During the African Development Fund 12 and General Capital Increase processes in 2010, and at the request of shareholders, the Bank committed itself to revising and upgrading its environmental and social safeguards system and procedures by preparing and adopting an ISS and by promoting the mainstreaming of climate-change considerations into its safeguards’ review and compliance process.

In September 2010, the Bank’s Operations Committee approved the concept note, “Towards an Integrated Safeguards System”. This document detailed the rationale for adopting an ISS and how it could be developed.

The rationale defined in the concept note included:

- Collating the fundamental elements of the Bank’s existing portfolio of policies to facilitate their more rigorous and extensive application and to reduce associated transaction costs;
- Updating the Bank’s safeguard requirements in light of Multilateral Development Banks’ (MDB) “best practice”, current Bank priorities, emerging issues, and lessons learned from safeguards implementation in recent years;
- Providing the Bank’s ESAP with a basis for operationalization to facilitate safeguard compliance; and
- Assisting in MDBs’ efforts to harmonize environmental and social safeguards and to implement them.

Following the approval of this concept note, the Compliance and Safeguards Division (ORQR.3), under the Quality Assurance Department, began to design the ISS. This report presents the main components with a set of recommendations for implementation.

- A draft Policy Statement and set of OSs. These have been subject to extensive internal consultation and review by the Technical Advisory Committee, and were then approved by the Bank’s Operations Committee in August 2011.
- A draft revised ESAP and Annexes. This draft has also been distributed for consultation to key Bank departments and has been reviewed by the Technical Advisory Committee.
- A proposal for a set of technical guidelines to support the implementation of the ISS and capacity-building activities for Bank and regional member country staff.

III. RATIONALE FOR DEVELOPING AN ISS

The Bank adopted a set of ESAPs in 2001 and a policy on the environment in 2004. It also adopted a policy on involuntary resettlement in 2003. These provide the core of the Bank’s current environmental and social safeguards, including the requirements for an appropriate level of environmental and social assessment and preparation of environmental and social and management measures, including requirements for dealing with involuntary resettlement.

The Bank also has a significant number of other cross-cutting and sector policies that, to varying degrees, contain commitments to achieve environmentally and socially sustainable
development in the course of Bank operations. These include policies on gender, poverty-reduction, disclosure of information, co-operation with civil society organizations, integrated water resources management, agriculture and rural development, health and others. However, none of these aim to provide clear requirements (or safeguards) to be met as a condition of Bank funding.

The Bank has concluded that this portfolio of policies is unsuitable as the basis of an integrated and effective set of environmental and social safeguards. Its analysis of recent experience in applying these policies finds the following problems: i) high transaction costs within the Bank and among its clients, attributable to time and effort required to consider diverse sources of policy; ii) the dilution of important subjects because of the uneven coverage of relevant issues addressed in different policies; iii) hindrances in implementation because of conflicting priorities and potential conflicts between policies; and iv) difficulties in monitoring the compliance of borrowers and the Bank itself.

In the ISS concept note, the Bank concludes that the existing policy portfolio lacks a clear, integrated set of operational environmental and social requirements that can be easily understood by borrowers, Bank officials and external observers.

The Bank also draws a number of lessons from various internal stocktaking exercises and evaluations that have indicated that improvements need to be made by the Bank in implementing cross-cutting policies and following the relevant procedures. This conclusion is reinforced by the incidence of complaints to the Independent Review Mechanism relating to compliance with the Bank’s policies.

The Bank’s conclusion, therefore, is that: the adoption of OSs will provide an integrated and updated set of policy requirements on environmental and social safeguards that clearly set out the Bank’s requirements to borrowers and to the Bank’s operations departments; and the adoption of a revised ESAP will help to facilitate compliance with the Bank’s OSs.

**IV. MULTILATERAL DEVELOPMENT BANK PRACTICE**

The need for an ISS is also based upon trends and best practice among MDBs and other Development Financing Institutions (DFIs). Following the Paris Declaration, there has been a greater impetus to harmonize environmental and social safeguards among development agencies. In addition, the MDBs have established a Multilateral Financial Institutions Working Group on the Environment, in which the Bank is an active participant. In 2005, this Working Group published a Common Framework for Environmental Assessment in an attempt to encourage greater harmonization of environmental and social safeguards among its members.

In the past few years, almost all the MDBs have completed or have embarked on major revision and upgrading of their set of environmental and social policies, safeguard requirements and standards. This process has greatly increased the compatibility of MDB environmental and social safeguards, in terms of coverage, specific requirements and procedural steps. This is highly significant for the Banks’ co-financing with other MDBs.

The International Finance Corporation adopted its Performance Standards on Environmental and Social Sustainability in 2006 and revised them in 2011. Since 2006, the Inter-American Development Bank, European Bank for Reconstruction and Development, European Investment Bank and Asian Development Bank have all upgraded their safeguard systems. The World Bank and the Islamic Development Bank are now upgrading their systems; and the Bank has agreed to co-operate with both in this process.
As a result of this process of upgrading and harmonization, the environmental and social safeguards systems of the MDBs share several key features:

- An overarching safeguard, setting out the requirements for borrowers to undertake the appropriate type and level of environmental and social assessment of operations to be financed by the MDB, using a system of project categorization;
- A set of supplementary safeguards addressing specific environmental and social risks that set out the MDB’s requirements for assessment and management or mitigation measures relevant to those areas of risk and where appropriate specific standards that need to be met; and
- A high degree of consistency in the risk areas that are covered, despite the variations in the number of specific safeguards per MDB (see table below).

Table 1: Coverage of risk areas by MDB safeguards

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>World Bank</th>
<th>IFC</th>
<th>AsDB</th>
<th>EBRD</th>
<th>EIB</th>
<th>IADB</th>
<th>MFI-WGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary Resettlement</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Pollution Prevention</td>
<td>Yes</td>
<td>Yes</td>
<td>(in ESA)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (2)</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Yes (1)</td>
<td>Yes</td>
<td>(in ESA)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Community Impacts</td>
<td>No</td>
<td>Yes</td>
<td>(in ESA)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Labor Conditions</td>
<td>No</td>
<td>Yes</td>
<td>(in ESA)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Indigenous People</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No (3)</td>
</tr>
<tr>
<td>Cultural Heritage</td>
<td>Yes</td>
<td>Yes</td>
<td>(in ESA)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Environmental Flows</td>
<td>Yes (4)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

(1) World Bank has safeguards on i) Natural Habitats and ii) Forests
(2) Split into i) Pollution and ii) Toxic and Hazardous Substances
(3) Proposes safeguard on Vulnerable Groups which includes Indigenous People
(4) Safeguard is on Water Resource Management

V. SELECTION OF OPERATIONAL SAFEGUARDS FOR THE AFRICAN DEVELOPMENT BANK

The selection of OSs to be included in the Bank’s ISS is based upon the following issues:

- Existing Bank policy commitments;
- Relevance to key environmental and social issues in the region;
- Lessons learned from applying the environmental and social policies/procedures in the Bank;
- Harmonization with other MDBs and the MFI Working Group on Environment;
- Harmonization with international conventions and standards; and
- Limiting the amount to the minimum required to allow the optimal functioning of the ISS.

On the basis of decisions taken by the Compliance and Safeguards Division in Quality Assurance and Results Department and advice from Environmental Resources Management (ERM), ORQR3 and advice from ERM, it was agreed to focus on the following:

- OS 1: Environmental and Social Assessment. This includes issues such as scope, categorization, use of Strategic Environmental and Social Assessment (SESA), and Environmental and Social Management Frameworks, climate-change vulnerability, public consultation, grievance procedures. This overarching OS consolidates the policy commitments and requirements set out in the Bank’s Policy on the
Environment. It also updates the requirements to take advantage of best practice among the MDBs on a number of operational issues.

- **OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation.** This OS consolidates the policy commitments and requirements set out in the Bank’s policy on involuntary resettlement; it also incorporates refinements designed to improve their operational effectiveness.

- **OS 3: Biodiversity and Ecosystem Services.** This OS translates the policy commitments in the Bank’s policy on integrated water resources management into operational requirements. It reflects the importance of biodiversity in Africa as well as the priority to clarify relevant standards and requirements from the MDBs. It also reflects current MDB best practice on including requirements to analyze potential impacts on ecosystems.

- **OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency.** This OS covers the range of key environmental impacts for which there are agreed international standards followed by all MDBs and the Equator banks.

- **OS 5: Labor Conditions, Health and Safety.** This OS reflects ILO standards that have been adopted by most, if not all, MDBs and Equator banks.

Other possible OSs that are adopted by most other MDBs were considered:

- **Community impact.** It was decided that a requirement to fully consider the impact on the affected communities could be included in the OS on Environmental and Social Assessment.

- **Indigenous peoples.** It is the Bank’s policy that instead of adopting a stand-alone OS, matters pertaining to indigenous peoples are better dealt with by mainstreaming throughout the whole assessment process. Therefore, the overarching OS on Environmental and Social Assessment contains a section on consideration of impacts on vulnerable groups with specific reference to indigenous peoples in line with the MFI Working Group on Environment “Common Approach to Environmental Assessment”. Other key issues related to indigenous peoples are also inserted in all other OS at the appropriate level.

- **Environmental flows.** Although the potential harmful impacts of major water-resource projects on environmental flows is especially important for Africa, it was decided that a requirement to assess this risk could be included in the OS on Environmental and Social Assessment backed up by technical guidance.

In line with other MDBs, it has been decided not to adopt a self-standing OS on climate change. OS 1 will include a requirement to address climate-change vulnerability, and the ESAP will incorporate the Bank’s Climate Screening Tool and Adaptation Review and Evaluation Procedures, which are being prepared.

### VI. CONTENT OF THE OSS

Table 2 below provides some key points on how each OS draws on relevant Bank policies and MDB best practice.

<table>
<thead>
<tr>
<th>Table 2. Relation between OSs and Bank policies and MDB best practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AfDB Policy</strong></td>
</tr>
</tbody>
</table>
| OS 1: Environmental and Social Assessment | - Requirements drawn from policy on the environment  
- Broader commitments in various cross-cutting and sector policies  
- Specific requirements in policy on environmental and social assessment |
| | - Consistency on categorization  
- Use of SESA for policy and program lending  
- Use of Environmental and Social Management Framework for program assessment |
The adoption of these OSs would be a significant step in bringing the Bank into alignment with the other MDBs. There are significant new elements that the Bank will need to address in order to ensure effective implementation. These include:

- An emphasis on strengthening the use of country systems;
- A more detailed definition of categories to address different types of Bank operations;
- The inclusion of specific requirements for public consultation;
- The need to identify and address the needs of vulnerable groups;
- Introduction of requirements relating to cultural heritage, biodiversity, GHG emissions, and labor standards; and
- The challenges of aligning with other DFI’s safeguards requirements when involved in co-financing.

VII. CURRENT BANK ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCEDURES (ESAP)

The Bank adopted a set of ESAP in 2001. The 2001 ESAP were designed to make the Bank’s sectoral and cross-cutting polices operational. However, practical experience in employing the ESAP has revealed a number of inconsistencies and weaknesses. These include:

- Project documents tend not to contain the technical information necessary to categorize projects at the appropriate stage in the project cycle.
- It has proved difficult to categorize and integrate social considerations into policy-based lending and to use information derived from Country Environmental Analyses or Strategic/Sectoral Environmental Assessments.
• Processing, storing and retrieving information on projects’ environmental and social safeguards for project monitoring or knowledge generation purposes is problematic.
• Investment decisions are often made without the appropriate environmental and social due diligence having been conducted.
• Some aspects of the ESAP, including the specific steps required and associated roles and responsibilities, are unclear and difficult to understand.
• The ESAP fails to cover all of the forms of lending in which the Bank currently engages, including lending to the private sector.

Such inconsistencies and weaknesses were further confirmed in the Approach Paper for updating the ESAP\(^1\) and the Bank’s first Independent Review Mechanism report.\(^2\) These documents clearly demonstrated a strong need to revise and update the ESAP in order to integrate environmental and social issues better into Bank interventions.

In the aforementioned ISS concept note, the Bank concluded that the ESAP required revision in order to address prevailing inconsistencies and weaknesses, thereby enhancing the environmental and social performance of the Bank’s operations, and improving project outcomes by replacing outdated environmental and social assessment processes with upgraded processes, elaborated using cutting-edge knowledge.

### VIII. THE BANK’S REVISED ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCEDURES (ESAP)

Table 3 below identifies some of the ways in which the revised ESAP addresses the limitations of the 2001 ESAP and, in doing so, provides a strong procedural basis for the operationalization of the ISS.

The approach adopted for revising the ESAP has been to:

• Make a number of amendments and additions to align the ESAP with the provisions of the draft OSs;
• Provide a detailed but clear description of the steps needed to implement the OSs at different stages of the project cycle, indicating who is responsible for each step;
• Revise the ESAP so that it covers both public- and private-sector lending with specific provisions designed to fit the different circumstances applicable to private-sector projects;
• Address various key stages in the project cycle where compliance has been weak and to introduce proposed mechanisms that may strengthen implementation;
• Introduce a key innovation – an Integrated Safeguards Tracker System (ISTS) – designed to facilitate the tracking of ISS compliance through the project cycle and possibly to ensure compliance before proceeding to the next stage; and
• Provide procedural guidance and clear templates in the annexes for the completion of ESAP steps during the project cycle.

\(^1\) African Development Bank (2009), *Revision and update of the Bank Group environmental and social safeguard policies and procedures*, draft approach paper, Compliance and Safeguards Division, Quality Assurance Department, African Development Bank, Tunis.

The adoption and implementation of the revised ESAP may require additional resources and capacity within the sector departments and within ORQR.3.

### Table 3. Key revisions to the ESAP

<table>
<thead>
<tr>
<th>Revision</th>
<th>Brief description of revision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broader ESAP scope to cover private-sector projects</td>
<td>The revised ESAP cover public- and private-sector Bank lending operations.</td>
</tr>
<tr>
<td>Emphasis on safeguard harmonization in the context of private-sector projects</td>
<td>Together with the ISS Policy Statement, the revised ESAP emphasize safeguard harmonization in the context of co-financing for private-sector projects.</td>
</tr>
<tr>
<td>Introduction of Integrated Safeguards Tracking System (ISTS)</td>
<td>The revised ESAP contain an ISTS system. The ISTS’s basic purpose is to facilitate the verification of project compliance with the requirements set out in the OSs, over the course of the Project Cycle. The ISTS has three specific functions: a repository function; a tracking function; and an access-to-information function. A more detailed description of the ISTS is provided in the revised ESAP document itself.</td>
</tr>
<tr>
<td>Introduction of various changes to category definitions</td>
<td>Together with OS 1, the revised ESAP introduce various changes to project category definitions, including the introduction of: a full Strategic Environmental and Social Assessment (SESA) for Category 1 program-based operations or regional and sector loans; a SESA for Category 2 program operations; and an Environmental and Social Management Framework (ESMF) as an equivalent to an Environmental and Social Management Plan (ESMP) in the case of Category 2 program operations.</td>
</tr>
<tr>
<td>Use of private-sector Preliminary Evaluation Note (PEN) – to assist with categorization</td>
<td>The revised ESAP require that available and relevant environmental and social information be attached to the PEN to help facilitate categorization for private-sector projects.</td>
</tr>
<tr>
<td>Introduction of Environmental and Social Categorization Memorandum (ESCM)</td>
<td>The revised ESAP require the Sector Departments to draft an ESCM during the project identification phase of the project cycle. This ESCM assigns the project a category and requests ORQR.3 to review and validate the category.</td>
</tr>
<tr>
<td>Broader use of Environmental and Social Scoping Memorandum (ESSM) to cover all Bank projects, including Category 4 projects and private-sector projects</td>
<td>The revised ESAP require that, during the project preparation phase of the project cycle, the sector departments develop an ESSM not only for Category 1 and 2 projects, but also for Category 4 projects. The revised ESAP require that an ESSM is developed not only for public-sector projects, but also for private-sector projects.</td>
</tr>
<tr>
<td>Integration of information on country systems into ESSM</td>
<td>The revised ESAP require that the ESSM provides information on the relevant country system.</td>
</tr>
<tr>
<td>Broader use of ORQR.3 compliance check to cover Project Appraisal Reports (PARs) for private-sector projects and Category 4 Environmental and Social Management Systems (ESMSs)</td>
<td>The revised ESAP require that ORQR.3 engages in a PAR compliance check not only for public-sector projects, but also for private-sector projects. The revised ESAP require that ORQR.3 engages in an ESMS compliance check for Category 4 projects during the project appraisal phase of the project cycle.</td>
</tr>
<tr>
<td>Local access to ESMS</td>
<td>For Category 4 projects, the revised ESAP require that financial intermediaries make available a summary of their ESMS to the public locally, before a board decision is made.</td>
</tr>
<tr>
<td>Improved procedural clarity and readability</td>
<td>The format and structure of the revised ESAP have been altered to facilitate readability. Required steps and roles and responsibilities have also been clarified.</td>
</tr>
</tbody>
</table>

### IX. REMAINING CHALLENGES AND NEXT STEPS

The revisions that have already been made incorporate changes designed to improve compliance and effectiveness and bring the ESAP into alignment with the Bank’s proposed new OSs. There are a number of challenges to be met in introducing the revised ESAP, including:

- Adopting one ESAP for both public- and private-sector lending, recognizing that the project cycles are different for private-sector lending;
- Including program-based operations, investment plans and program lending in the categorization with the requirement for the use of SESA if deemed to be Category 1 or 2;
• Ensuring effective implementation of ESMFs by borrowers;
• Ensuring effective implementation of ESMSs by financial intermediaries;
• Improving the timely compliance of all Bank operations with the categorization requirement;
• Improving the level of supervision of ESMP implementation; and
• Determining where additional resources and technical capacity is needed to ensure effective implementation.

31 In addition, there are two issues that remain to be addressed in the near future:

• **Climate change:** The revised ESAP will need to be updated to incorporate the Climate Change Screening Tool that is currently being prepared by ORQR.3.
• **Computerization:** ORQR.3 will need to work with the Bank’s IT specialists to ascertain how the ESAP might be computerized and how it will interface with SAP.

32 Following further consultation within the Bank on the ESAP and the Annexes, the document will be professionally edited, formatted and designed to maximize ease of use and visual appeal.

**X. TECHNICAL GUIDANCE**

33 The Bank produced set of Integrated Environmental and Social Impact Assessment (ESIA) Guidelines in 2003. These contain generic guidance on ESIA and specific guidance on environmental and social issues for nine different sectors.

34 The Bank will produce a new set of technical guidance materials to support the implementation of the ISS and to provide the material for a program of training and capacity development for Bank and regional member country personnel. The next step should be to produce a funding proposal to cover the production of the guidelines and delivery of a capacity-development program.

35 The Guidance will be composed of three parts (see Table 4 below):

• General guidance on ESA, responding to the requirements set out in OS1
• Topic-specific guidance, relevant to specific themes and requirements covered in the OSs
• Sector-specific guidance, in the form of brief checklists
### Table 4: Proposed Technical Guidance contents

1. **General guidance on ESA tools**
   - SESA: guidance on steps, methodologies, report contents, TORs
   - ESIA: guidance on steps, methodologies, report contents, TORs
   - ESMP: guidance on preparation, implementation, monitoring, institutional capacity
   - ESMF: guidance on preparation, implementation, monitoring, institutional capacity
   - ESMS: guidance on preparation, implementation, monitoring, institutional capacity
   - Supervision and monitoring
   - Country system assessment/diagnostics

2. **Guidance on specific topics**
   - Consultation, including free, prior and informed consultation
   - Vulnerable groups: identification and targeted assistance
   - Grievance mechanisms: design and implementation
   - Environmental flows: assessment and management
   - Cultural heritage: types, identification, assessment and management
   - Resettlement: components of a Resettlement Action Plan
   - Biodiversity: habitats, assessment tools, offsets, ecosystems services assessment
   - Pollution: GHG limits, resource efficiency
   - Labor: applying international labor standards

3. **Guidance on specific sectors**
   - Checklists for 10-15 sectors: covering typical project components, sources of impacts, assessment methodologies, management options
Annex : African Development Bank Integrated Safeguard System

Draft Policy Statement and Operational Safeguards

FOR CONSULTATION

March 2012

QUALITY ASSURANCE AND RESULTS DEPARTMENT (ORQR)
1. Executive summary

2. Policy statement on the African Development Bank Integrated Safeguards System

3. Operational Safeguards:

OS 1: Environmental and Social Assessment

OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation

- **OS 3**: Biodiversity and Ecosystem Services
- **OS 4**: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency
- **OS 5**: Labor Conditions, Health and Safety
1. EXECUTIVE SUMMARY

The African Development Bank (the Bank) is revising and updating its environmental and social safeguard system and procedures by developing and implementing an Integrated Safeguard System (ISS). The rationale and overall design of the ISS was set out in late 2010 in a concept note, “Towards an Integrated Safeguards System”, which was approved by the Bank’s Operations Committee.

The rationale for the ISS is based upon two main areas of focus:

- An assessment of the Bank’s portfolio of relevant policies in light of current priorities, emerging issues and lessons learned from its implementation in recent years; and
- A review of current “best practice” among Multilateral Development Banks (MDBs) and joint efforts being made to harmonize environmental and social safeguards and their implementation, in which the Bank is an active participant.

The intended structure of the ISS is shown in Figure 1 below:

- The ISS draws from but does not replace existing Bank policies.
- The major innovation is the introduction of Operational Safeguards (OSs) – a set of brief and focused policy statements that clearly set out the operational requirements with which Bank-financed operations must comply.
- In addition, the ISS will embody a revised set of Environmental and Social Assessment Procedures (ESAP) supported by Guidelines that clearly set out how the Bank and the borrower/client should implement the OSs during the project cycle.
Operational Safeguards

The aim of the OSs is to clearly establish the environmental and social requirements with which the Bank expects the borrowers or clients to comply. Adopting the OSs is intended to strengthen the capacity of the Bank and the borrowers or clients to:

- better integrate environmental and social-impact considerations into Bank operations so as to promote sustainability and long-term development effectiveness in Africa;
- assist regional member countries and borrowers/clients in strengthening their own safeguard systems and develop their capacity to manage environmental and social risks;
- prevent projects from adversely affecting the environment and local communities; where prevention is not possible, to minimize, mitigate and/or compensate for adverse effects;
- systematically consider the impact of climate change on the sustainability of investment projects and the contribution of projects to global greenhouse gas emissions;
- delineate the roles and responsibilities of the Bank and its borrowers or clients in implementing projects, achieving sustainable outcomes, and promoting local participation; and
- contribute significantly to the harmonization of practices with other multilateral development banks.

The selection of OSs to be included in the Bank’s ISS has been based upon:

- Existing Bank policy commitments;
- Relevance to key environmental and social issues in the region;
- Lessons learned from applying the environmental and social policies/procedures in the Bank;
- Harmonization with other multilateral development banks and the MFI Working Group on Environment;
- Alignment with international conventions and standards; and
• Limiting the amount to the minimum required to be consistent with achieving the optimal functioning of the ISS.

The selected Operational Safeguards are:

OS 1: Environmental and Social Assessment. This overarching OS governs the process of determining a project’s environmental and social category and the resulting Environmental and Social Assessment requirements. The requirements cover the scope of application, categorization, use of Strategic Environmental and Social Assessment (SESA) and Environmental and Social Impact Assessment (ESIA) where appropriate, Environmental and Social Management Plans, climate-change vulnerability, public consultation, community impacts, treatment of vulnerable groups, including indigenous peoples, and grievance procedures. It consolidates the policy commitments set out in the Bank’s policy on the environment. It also updates the requirements to take advantage of best practice among the MDBs on a number of operational issues.

OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation. This OS consolidates the policy commitments and requirements set out in the Bank’s policy on involuntary resettlement and incorporates a number of refinements designed to improve their operational effectiveness. In particular, the OS embraces comprehensive and forward-looking notions of livelihood and assets, to account for their social and cultural dimensions, as well as their economic ones. It also adopts a progressive understanding of community and common property that emphasizes the crucial need to maintain social cohesion, community structures and the social inter-linkages that common property provides. The OS highlights the fundamentals of the Bank’s existing involuntary resettlement policy, namely the need to provide compensation at full replacement cost; the importance of achieving resettlement that improves standards of living, income-earning capacity, and overall means of livelihood; and the need to ensure that potential aspects of social considerations, such as gender and age, do not disadvantage particular project-affected people.

OS 3: Biodiversity and Ecosystem Services. This OS translates the policy commitments in the Bank’s policy on integrated water resources management into operational requirements and also reflects the objectives of the Convention on Biological Diversity to preserve biological diversity and promote the sustainable use of natural resources. It reflects the importance of biodiversity in the African continent and the value to the population of key ecosystems. Its content has benefited from recent joint work among the MDBs to improve their approach to assessing how the potential impacts of projects on different types of habitats can be avoided, minimized or offset.

OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency. This OS covers the range of key pollution, waste and hazardous materials impacts for which there are agreed international conventions as well as comprehensive industry-specific standards that are followed by other MDBs and financial institutions that have adopted the Equator Principles. It also introduces a GHG emission threshold for projects to trigger a detailed analysis of feasible reduction or offset measures and reporting on emission levels. Borrowers or clients are required to consider measures to improve resource efficiency.

OS 5: Labor Conditions, Health and Safety. This OS aligns the Bank’s requirements for its borrowers or clients with the range of ILO conventions concerning workers’ conditions, rights
and protection from abuse or exploitation. This OS also ensures harmonization with most other MDBs and the financial institutions that have adopted the Equator Principles. It covers working conditions, workers’ organizations, avoidance of child or forced labor and occupational health and safety.
2. POLICY STATEMENT ON THE AFRICAN DEVELOPMENT BANK INTEGRATED SAFEGUARDS SYSTEM

1. The African Development Bank (the Bank) is committed to providing financial and technical support to its regional member countries to bring about sustainable economic and social development. This commitment entails a joint undertaking to tackle poverty issues while avoiding any unintended direct or indirect environmental or social impact on communities arising from Bank operations. It recognizes that in Africa, human well-being is particularly dependent on the quality of the environment and the sustainable use of natural resources.

2. The Bank has adopted a number of relevant cross-cutting policies in recent years, most notably on the environment (2004), involuntary resettlement (2003), gender (2001) and cooperation with civil society organizations (2001) that make clear its commitment to assessing, avoiding or managing unintended environmental and social consequences of its operations and meeting relevant, internationally accepted standards or management measures.

3. It also has adopted a number of sectoral policies that make additional commitments to achieving environmental and social benefits in the course of Bank operations, including in integrated water-resource management (2000), health (1996), agriculture and rural development (2000) and poverty reduction (2004).

4. This policy statement draws from these and other commitments and is intended to establish the objectives and scope of the Bank’s Integrated Safeguards System (ISS), which is designed to put these commitments into practice and suggest how the Bank and its borrowers/clients should work together to tackle key environmental, climate-change and social issues in preparing and implementing Bank operations to meet the needs of the African continent.

5. The Bank believes that effective implementation of an ISS enhances the quality of its operations, increases public accountability and transparency, and helps to deliver sustainable development. The Bank is also committed to implementing the ISS in a manner that helps to strengthen the capacity of regional member country systems for environmental and social risk management as well as the environmental and social safeguards capacity of borrowers or clients.

Integrated Safeguards System (ISS)

6. The Bank’s ISS consists of this policy statement on environmental, climate change and social safeguards, a set of Operational Safeguards (OSs), Environmental and Social Assessment Procedures (ESAP) and associated guidance materials:

- OSs are clear statements of what the Bank requires from its borrowers or clients in terms of conducting best-practice environmental and social assessments of operations that may be
financed or managed by the Bank, and identifying specific standards or risk-management measures that should be adopted as a condition of Bank support.

- ESAP provide information of the specific procedures that the Bank and its borrowers or clients should follow to ensure that Bank operations meet the requirements of the OSs at each stage of the Bank’s project cycle.

- Guidance materials provide technical guidance relating to specific methodological approaches or standards and management measures relevant to meeting the OSs.

7. The key objectives of the ISS are to bring together the relevant Bank policy commitments, requirements, procedures and guidance into one integrated system so that it is clear to the borrower or client what the Bank requires and how these requirements should be put into practice. Where appropriate, the ISS entails environmental and social safeguard commitments arising out of international treaties and conventions to which most, if not all, of its regional member countries are signatories.

8. The ISS also entails the Bank’s commitment to development effectiveness as set out in the 2005 Paris Declaration (and the Accra Agenda for Action of 2008) by aligning with national systems, regulations, rules and procedures and by harmonizing, to the extent feasible, with best practice among MDBs and other international institutions.

9. The ISS will be closely tied to the Bank Business Processes and Products (BPP) and automated to introduce compliance checkpoints, generate key safeguard information that can be integrated into project documentation, and clear requests and approvals.

10. The OSs consist of:

   OS 1: Environmental and Social Assessment (the umbrella OS);
   OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation;
   OS 3: Biodiversity and Ecosystem Services;
   OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency; and
   OS 5: Labor Conditions, Health and Safety.

11. OS 1 sets out the Bank’s overarching requirements for borrowers or clients to identify, assess and manage the potential environmental and social risks and impacts of a project, including climate-change issues. OSs 2-5 set out specific requirements relating to different environmental and social issues, including gender and vulnerability issues, that are triggered if the assessment process reveals that the project may present a risk of the type described in the OS.

**The Bank’s commitment and responsibilities**
12. The Bank is committed to ensuring that all its operations, public and private sector, comply with the OSs by identifying and assessing environmental, climate-change and social risks and impacts as early as possible in the project cycle and by ensuring effective auditing, monitoring and supervision of agreed environmental and social management measures during implementation.

13. The Bank recognizes the need to apply the appropriate type and level of Environmental and Social Assessment (ESA) to its range of operations. In addition to Environmental and Social Impact Assessment (ESIA) for investment projects, the Bank will apply Strategic Environmental and Social Assessment (SESA) for its own regional, country and sectoral strategies and for its lending for program-based operations in cases where there is a high level of environmental and social risk.

14. The Bank is also committed to providing its borrowers or clients with high-quality technical guidance and practical support for carrying out the necessary analytical and procedural steps required under the OSs.

15. The Bank emphasizes the importance of requiring the borrower or client to conduct the appropriate level of environmental and social assessment through its categorization system, which is designed to be compatible with systems employed by the main MDBs and by other development finance institutions.

16. It also recognizes the importance of applying a proportionate and adaptive approach to Environmental and Social Management Plans (ESMPs) agreed with borrowers or clients as a condition of project financing. The agreed management measures should be proportionate to the level of environmental and social risk and should be capable of being adapted to changing circumstances during a project’s implementation.

17. Throughout the environmental and social assessment process, the Bank is committed to ensuring the borrower or client engages in meaningful and transparent consultation with affected communities, in particular with vulnerable groups, to ensure that they can participate in a free, prior and informed manner in decisions about avoiding or managing environmental or social impacts.

18. The Bank is committed to ensuring that affected communities and other local civil society organizations have access to, and that the Bank will, as needed, provide, appropriate grievance and redress mechanisms through which they can submit any concerns about the environmental and social impacts of Bank operations.

19. The Bank is fully committed to maximizing efficiency and minimizing costs for its borrowers or clients in meeting its environmental and social safeguards. Accordingly, the Bank actively

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3 Free: of intimidation or coercion; prior: timely in relation to the assessment process, allowing sufficient time to access and understand information and prepare responses; informed: provision of relevant, understandable and accessible information, in the appropriate language in advance.
supports harmonization of the application of safeguards in the context of co-financing. Therefore, whenever the Bank participates in transactions led by other development finance institutions or financial partners, it will perform additional due diligence only to the extent necessary to complete the environmental and social assessment to meet its own safeguards. If the Bank is itself leading the transaction, it will ensure that the performance of its environmental and social due diligence will meet the safeguard requirements of the other participants in addition to its own.

20. The Bank also emphasizes and remains committed to its own and the borrower’s or client’s obligations for public disclosure and access to information.

21. The Bank recognizes the importance of working closely with borrowers or clients in implementing the OSs so as to strengthen the capacity of country systems for environmental and social assessment and management.

Supervision

22. The Bank recognizes the importance of ensuring that the borrower or client effectively implements agreed environmental and social management measures during the course of the project’s life cycle. It will therefore monitor the implementation through borrowers’ or clients’ quarterly reports and during Bank supervision missions. In the case of projects with a high level of environmental and social risk, the Bank will, at its discretion, undertake compliance audits.

Independent Review Mechanism

23. The Bank Group has established the Independent Review Mechanism (IRM) to provide people adversely affected by its financed projects with a recourse mechanism through which they can ask the Bank to comply with its own policies and procedures. Complainants have the opportunity to come to the IRM in cases when, in their opinion, their complaints would not be resolved or remedial actions agreed with Bank management. The IRM can receive requests from any group of people, duly authorized representatives of communities, organizations, associations, and the boards of directors. The IRM handles the complaint through problem-solving (mediation) and/or compliance review.
3. OPERATIONAL SAFEGUARDS

OS 1. Operational Safeguard on Environmental and Social Assessment

1. The objective of this overarching OS, and the accompanying set of OSs that support it, is to mainstream environmental and social considerations, including those related to climate-change vulnerability, into Bank operations and thereby contribute to sustainable development in the region.

2. The specific objectives are to:

   - mainstream environmental, climate-change and social considerations into Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs);
   - identify and assess the environmental and social impacts, including gender and climate-change impacts and vulnerability issues, of Bank lending and grant-financed operations in their area of influence;
   - avoid or, if not possible, minimize, mitigate and compensate for adverse impacts on the environment and on affected communities;
   - ensure that affected communities and stakeholders have timely access to information in suitable forms about Bank operations and are consulted meaningfully about issues that may affect them;
   - bring about effective environmental and social risk management of projects during and after implementation; and
   - contribute to strengthening regional member country systems for environmental and social risk management.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank, except where specifically exempted.\(^4\)

Environmental and Social Assessment work carried out under this OS will determine if the operations involve activities or components that pose any specific risks covered by OSs 2-5 and therefore if the relevant requirements need to be met.

OS requirements

Environmental and social assessment

The Bank, in partnership with regional member countries, will apply best practice environmental and social assessment tools to mainstream environmental, including climate-change impacts and

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\(^4\) The Bank needs to identify any specific exemptions, such as short-term emergency recovery programs.
vulnerabilities, and social considerations into Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs).

The Bank requires the borrower or client to conduct an appropriate type and level of Environmental and Social Assessment: Strategic Environmental and Social Assessment (SESA) or Environmental and Social Impact Assessment (ESIA) and/or prepare an Environmental and Social Management Plan (ESMP) of all Bank operations according to the Bank’s Environmental and Social Assessment Procedures (ESAP). This assessment shall include an assessment of climate-change impacts and vulnerability.

The specific type and level of Environmental and Social Assessment will be determined by the categorization system required as part of project screening as set out in the Bank’s ESAP, incorporating the screening of climate-change impacts and vulnerability, based on information provided by the borrowers or clients about the scope and nature of the project.

The assessment will be conducted so as to include the project’s area of influence. Depending on the physical nature of the project, the area of influence will encompass, as appropriate, i) the area likely to be directly affected by the project; ii) related or associated facilities dependent on the project that are not funded by the project and that would not have been implemented if the project did not exist; and iii) areas, including the communities within them, potentially affected by unplanned but predictable activities likely to be induced by the project.

The assessment shall cover, in an integrated way, all relevant direct and indirect environmental and social risks and impacts, including those specifically covered in the accompanying OSs. Potential impacts include physical, biological, socio-economic, gender, health, safety, cultural property, transboundary impacts and global impacts including greenhouse gas emissions and vulnerability to climate-change effects. During the scoping phase, the assessment shall determine the range of likely potential risks and impacts and shall also determine if specific requirements of the Bank’s OSs shall apply.

In line with any relevant requirements in the Bank’s OSs, the assessment should consider real alternatives to the project’s location and/or design and should seek to avoid adverse impacts or, if not possible, to minimize, mitigate and/or compensate or offset and to enhance positive impacts. The assessment should comply with relevant legislation and standards applicable in the local jurisdiction.

Where needed, the assessment should lead to a comprehensive and effective ESMP with a realistic timeframe, incorporating the necessary organizational capacity and financial resources, to address and manage the environmental and social risks that may occur during project implementation.

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5 In some cases, associated facilities may have been subject to environmental and social safeguard policies of other funding institutions equivalent to the Bank’s OSs.
The assessment should be conducted according to the principles of proportionality and adaptive management. The level of assessment and management required should be proportionate to the level of risk that the project poses and the management measures adopted should be capable of being adapted to changing circumstances during a project’s implementation.

The Bank intends that the assessment process will support and strengthen existing country systems for environmental, climate and social risk management, including those specifically related to OSs 2-5, such as systems and institutions covering resettlement, biodiversity protection, pollution control, and labor standards. In this context, the borrower or client shall conduct the Assessment and preparation of an ESMP in a manner that complies with existing country systems for assessing and managing environmental and social risks and impacts. The borrower or client should also try to help build stronger capacity among local organizations involved in the process.

**Project screening and categorization**

All Bank lending instruments, including program-based operations, program lending that leads to individual sub-projects, lending to financial intermediaries and grant-financed facilities managed by the Bank shall be subject to project screening and categorization, except where specifically exempted.

The categorization system follows the principle of using the appropriate type and level of environmental and social assessment for the type of Bank operation. In particular, the use of a SESA may be occasionally required for program-based operations, mainly budget support, or other lending for regional or sectoral programs in cases where there is a significant environmental and social risk.

The Bank’s Environmental and Social Screening Procedure and Climate-Change Screening Tool shall be used to determine their Environmental and Social Assessment category:

**Category 1: Bank operations likely to cause significant environmental and social impacts.**

Category 1 projects are likely to induce significant, irreversible adverse environmental—including climate-change—and/or social impacts, or significantly affect environmental or social components that the Bank or the borrowing country considers sensitive. In a limited number of cases, program-based operations or other regional and sector program loans may have significant adverse environmental or social risks and shall be deemed to be Category 1. Category 1 projects require a full SESA, in the case of program-based operations or regional and sector loans, or an ESIA, in the case of investment projects, leading to the preparation of an Environmental and Social Management Plan (ESMP). In some cases, projects shall be included in Category 1 owing to potential cumulative impacts, which will need to be addressed in the ESIA. Any project requiring a Full Resettlement Action Plan (FRAP) under the provisions of the Bank’s policy on involuntary resettlement shall also be deemed to be Category 1, in which case the ESIA shall include, and may be limited to, the social assessment needed to prepare the FRAP.

**Category 2: Bank operations likely to cause less adverse environmental and social impacts than Category 1.**

Category 2 projects are likely to have detrimental site-specific environmental and/or social impacts that are less adverse than those of Category 1 projects and can be minimized by applying appropriate management and mitigation measures or incorporating internationally
recognized design criteria and standards. Most program-based operations and regional or sector program loans designed to finance a set of sub-projects approved and implemented by the borrower or client shall be included in this category unless the nature, scale or sensitivity of the intended pipeline of sub-projects involves a high level of environmental and social risk. Category 2 projects require an appropriate level of Environmental and Social Assessment (SESA for program operations or ESIA for investment projects) tailored to the expected environmental and social risk so that an adequate ESMP can be prepared, in the case of an investment project, or an Environmental and Social Management Framework (ESMF) can be designed and implemented by the borrower, in the case of program operations, to manage the environmental and social risks of sub-projects in compliance with the Bank’s safeguards.

Category 3: Bank operations with negligible adverse environmental and social risks. Category 3 projects do not directly affect the environment adversely and are unlikely to induce adverse social impacts. They do not require an environmental and social assessment. Beyond categorization, no action is required. Nonetheless, to design a Category 3 project properly, it may be necessary to carry out gender analyses, institutional analyses, or other studies on specific, critical social considerations in order to anticipate and manage unintended impacts on the affected communities.

Category 4: Bank operations involving lending to financial intermediaries. Category 4 projects involve Bank lending to financial intermediaries who on-lend or invest in sub-projects that may produce adverse environmental and social impacts. Financial intermediaries include banks, insurance, re-insurance and leasing companies, micro-finance providers and investment funds that use the Bank’s funds to on-lend or provide equity finance to their clients. Financial intermediaries shall also be understood to include private- or public-sector companies that receive corporate loans or loans for investment plans from the Bank used to finance a set of sub-projects. However, in cases where a Bank corporate loan will be used by the client to finance only one or two high-risk investment projects known at the time of loan approval, the loan can be deemed to be Category 1. Financial intermediaries are required to apply the Bank’s OSs and equivalent procedures to their sub-projects and to comply with local environmental and social requirements. The financial intermediary must demonstrate to the Bank that it has developed and will maintain an Environmental and Social Management System (ESMS) in line with the Bank’s OSs and appropriate for the scale and nature of its operations, recognizing that the operations of financial intermediaries vary considerably and in some cases may pose minimal environmental and social risk. The financial intermediary must also demonstrate that it has the management commitment, organizational capacity, resources and expertise to implement its ESMS for its sub-projects. The Bank shall carry out due diligence of the ESMS and the financial intermediary’s organizational capacity before approving the loan. The financial intermediary shall make a summary of the ESMS available to the public locally, e.g. on its website, before the loan can be approved.

Scope of Environmental and Social Assessment

The Environmental and Social Assessment shall cover all relevant direct and indirect impacts, as identified during the scoping phase, including any specifically covered in the accompanying Oss, for which there are specific requirements:
OS2: Operational Safeguard on Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation;
OS3: Operational Safeguard on Biodiversity and Ecosystem Services;
OS4: Operational Safeguard on Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency; and
OS5: Labor Conditions, Health and Safety.

In addition, where relevant, assessments should consider potential impacts on cultural heritage and environmental flows in major water-resource projects. All assessments should systematically consider the full range of potential impacts on local, affected communities, and especially on vulnerable groups, including indigenous peoples. These issues are covered briefly below.

**Environmental flows**

In the case of major water-resource projects, the borrower or client shall avoid significantly altering flow regimes in ways that prevent water resources from fulfilling their functions for important ecosystems and their services to local communities.

In this context, environmental flows shall be understood to be “the provision of water within rivers and groundwater systems to maintain downstream ecosystems and their benefits, where the river or groundwater system is subject to competing water uses and flow regulation”.

The borrowers or clients shall endeavor to ensure that flows are maintained so that they are optimally managed to allow for the multipurpose use of water, including water’s ecological functions and the integrity of river systems and wetlands.

To achieve this objective, the borrowers or clients shall ensure that appropriate methodologies are employed within the Environmental and Social Assessment to address the issue of environmental flows according to best practice.

**Cultural heritage**

The borrower or client shall be responsible for ensuring that project sites and designs avoid significant damage to cultural heritage, including both physical and intangible cultural heritage. Cultural heritage likely to be affected by the project shall be identified, and qualified, experienced experts shall assess the project’s potential impacts on this cultural heritage. When a

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6 IUCN’s pre-release to Third World Water Forum, Kyoto.
7 Cultural heritage is defined as a group of resources inherited from the past that people identify, independently of ownership, as a reflection and expression of their constantly evolving values, beliefs, knowledge and traditions.
8 Physical cultural heritage are movable or immovable objects, sites, structures, groups of structures or natural features or landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic or other cultural significance. Physical cultural heritage may be located in urban or rural settings and may be above or below ground or under water. Their cultural interest may be at the local, provincial, national or international level.
9 Intangible cultural heritage are practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artifacts and cultural spaces associated therewith – that communities, groups and in some cases individuals recognize as part of their cultural heritage and that are transmitted from generation to generation.
project may affect cultural heritage, or access to it, the borrower or client shall consult with the communities who use or have used it within living memory, to identify its importance and to incorporate the views of these communities into the borrower’s decision-making process. Consultation shall also involve relevant national or local regulatory agencies that are entrusted with protecting cultural heritage. The findings shall be disclosed, except when such disclosure would compromise or jeopardize the safety or integrity of the cultural heritage.

When the project is likely to have adverse impacts on cultural heritage, the borrower or client shall identify appropriate measures for avoiding or mitigating these impacts. These measures may include avoidance, full site protection and selective mitigation, including salvage and documentation.

When the proposed location of a project is in an area where it is likely to find physical cultural heritage, chance finds\textsuperscript{10} procedures shall be included in the ESMP. Chance finds shall not be disturbed until an assessment by a competent specialist is made and actions consistent with this OS are identified.

The project shall not remove any physical cultural heritage unless the following conditions are met:

No technically or financially feasible alternatives to removal are available;
The overall benefits of the project substantially outweigh the anticipated cultural heritage loss from removal;
Any removal is conducted in accordance with relevant provisions of national and/or local laws, regulations, protected area management plans and national obligations under international laws; and
Any removal employs internationally accepted best available techniques.

**Community impacts**

The borrower or client shall give particular attention to assessing the risks and potentially adverse impacts of the project on local communities, including direct impacts on their health or safety and indirect impacts on their socio-economic conditions and livelihoods, as part of the environmental and social assessment process. The borrower or client shall establish preventive and management measures consistent with best international practice\textsuperscript{11} as described in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines).\textsuperscript{12} These measures shall ensure that identified risks and potentially adverse impacts are addressed in a manner commensurate

\textsuperscript{10} Chance finds refer to the discovery of previously unknown cultural heritage resources, particularly archaeological resources, which are encountered during project construction or operation.

\textsuperscript{11} Good international industry practice is defined as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.

\textsuperscript{12} The EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice. The EHS Guidelines contain the performance levels and measures that are normally acceptable to World Bank Group and are generally considered to be achievable in new facilities at reasonable costs by existing technology.
with their nature and magnitude. The chosen measures shall favor avoiding risks and adverse impacts over minimizing them.

When some elements of risk or negative impact still exist despite adequate attempts to avoid or minimize these, the borrower or client shall inform affected communities of the risk or negative impact in a socially and culturally appropriate manner. The borrower or client shall also be prepared to respond to accidental and emergency situations that may pose a threat to local communities and shall disclose appropriate information about emergency preparedness and response activities, resources and responsibilities to affected communities.

**Vulnerable groups, including indigenous peoples**

In assessing the potential impacts of a project on affected communities, the borrower or client shall identify people and groups that may be directly and/or disproportionately affected by the project because of their recognized vulnerable status.13

Groups that may be considered vulnerable may include social or cultural groups recognized as indigenous peoples either by national legislation or according to internationally accepted criteria.14 These groups typically are among the most vulnerable in a society and lack the capacity to defend their rights, interests or property or the opportunity to share the benefits of development. They may face significant risks, different to other affected communities, associated with their social, cultural or economic status, including traditional ownership or rights to land or cultural property, which requires special attention.

Where groups are identified as vulnerable, the borrower or client shall implement appropriate differentiated measures so that unavoidable adverse impacts do not fall disproportionately on these vulnerable groups, and so that they are not disadvantaged in sharing development benefits and opportunities (such as roads, schools, healthcare facilities etc.).

**Consultation**

The borrower or client shall be responsible for conducting and providing evidence of meaningful consultation (i.e. consultation that is free, prior and informed) with communities likely to be affected by environmental and social impacts and with local stakeholders. Consultation shall be undertaken with reference to the Bank’s Handbook on Consultation. The consultation shall be undertaken early in the project preparation, based upon a stakeholder analysis, in a timely manner in the context of key project-preparation steps, and in a manner that is accessible, fully informed

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13 This vulnerable status can be determined by identifying a group’s likelihood of facing harder conditions as a result of the project owing to specific factors such as a group’s gender, economic status, ethnicity, religion, language or health condition. Depending on the specific context of the project, vulnerable groups may thus include, among others, female-headed households, those below the poverty line, the landless, those without legal title to assets, ethnic, religious and linguistic minorities, those that are handicapped etc. Identifying vulnerable groups should be the result of careful analysis of the social and economic context, the presence of factors that may cause vulnerability and the capacity of the group to cope or adapt.

14 Internationally accepted criteria include: self-identification as members of a distinct indigenous cultural group; collective attachment to geographically distinct habitats or ancestral territories; customary cultural, economic, social or political institutions separate from the dominant society or culture; an indigenous language, often different from the official language of the country.
as a result of prior disclosure of project information, and in an appropriate language. The results of such consultation shall be fully reflected in project design as well as in the preparation of project documentation. In all cases, consultation should be carried out in conjunction with the release of environmental and social information.

In the case of Category 1 projects, the affected communities and stakeholders should be consulted to obtain their input to the preparation of the draft Terms of Reference of the Environmental and Social Assessment; about the draft SESA or ESIA report and summary and/or about the draft ESMP. For Category 2 projects, the affected communities and stakeholders should be consulted about the draft environmental and social assessment report and the draft ESMP. Consultation should be conducted with the objective of ensuring that there is broad community support\(^\text{15}\) for the project and that affected people endorse the proposed mitigation and management measures.

In cases where the borrower or client has identified vulnerable groups, including indigenous peoples, potentially affected by the project, the borrower or client shall engage in meaningful consultation and participation with the vulnerable groups from as early as possible in the project cycle and maintain this throughout. The borrower or client shall demonstrate that consulted individuals or groups can effectively represent the affected groups. In particular, this process of engagement shall:

- Involve representative bodies and civil society organizations as well as members from the vulnerable groups themselves;
- Ensure inclusivity in a socially and culturally appropriate manner;
- Provide sufficient time for the vulnerable groups’ decision-making processes;
- Facilitate the vulnerable groups’ expression of their views, concerns and proposals in the language and manner of their choice, without external manipulation, interference or coercion, and without intimidation; and
- Respect the culture, knowledge and practices of vulnerable groups, especially indigenous peoples.

**Disclosure and access to information**

The Bank’s revised policy on disclosure and access to information is based upon the principles of maximum disclosure, enhanced access to information, and limited exceptions. The Bank aims to apply these principles to the Environmental and Social Assessment process – ensuring continuous disclosure of key documents during the process and making documents available to the public on request and at key stages of the project cycle through the Integrated Safeguards Tracking System (ISTS).

In the interests of maximum disclosure, the process of disclosure of key Environmental and Social Assessment documents shall, in most cases, begin with the SESA/ESIA scoping memorandum and draft SESA/ESIA ToRs for Category 1 and 2 projects.

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\(^{15}\) Broad community support is a collection of expressions by the affected communities, through individuals or their representatives, of support for the project. Broad community support can exist even if some individuals or groups do not support the project.
The disclosure process shall be updated once the summaries of Environmental and Social Assessment documents (SESAs or ESIAs, including the ESMP and required resettlement documents) for Category 1 projects are completed. These are prepared by Bank Group staff with the consent of the borrower and include the staff’s conclusions and recommendations regarding environmental and social impacts and preventive or mitigatory measures. They will be made available to the public in the borrowing country, through the Public Information Center, field offices and the Bank’s website, including through the ISTS.

For Category 2 projects, a summary of the ESMP shall be made available to the public in the borrowing country, through the Public Information Center and the Bank’s website, including through the ISTS.

In all cases, the full final SESA and ESIA documentation will be accessible to the public on request through the ISTS.

Sector and country departments will address any public inquiry related to the information released by the Bank, with the assistance of the Bank’s Safeguards Unit. The communications between the Bank Group and the public shall be documented and kept on file by the sector and country departments.

For Category 4 projects involving financial intermediaries, the intermediary shall ensure that the sub-projects that require ESIAs undergo the same information-disclosure process in the borrowing country as Category 1 projects funded by the Bank.16

In projects where a FRAP is required, it shall be released as a supplementary document to the ESIA Summary. For any project involving the resettlement of fewer than 200 persons, an Abbreviated Resettlement Action Plan, together with the ESIA or EMSP, shall be made available in the Public Information Center, field offices and posted on the Bank Group’s website for public review and comment.

**Grievance and redress mechanism**

The borrower or client shall establish a credible, independent and empowered local grievance and redress mechanism to receive, facilitate and follow up on the resolution of the affected people’s grievances and concerns regarding the environmental and social performance of the project.

**Implementation of safeguard measures**

During project implementation, the borrower or client shall be responsible for the implementation of the ESMP and shall report to the Bank on key management or monitoring tasks as set out in the ESMP. The Bank will monitor the implementation of the ESMP through its supervision missions. In special cases, the Bank may conduct compliance audits.

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16 See the Bank’s Environmental Policy, p 24.
OS 2. Operational Safeguard on Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation

The aim of this OS is to facilitate the operationalization of the Bank’s 2003 Involuntary Resettlement Policy in the context of the requirements of OS 1 and thereby mainstream resettlement considerations into Bank operations.

This OS relates to occasions in which a Bank-financed project causes the involuntary resettlement of people. It seeks to ensure that when people must be displaced they are treated fairly, equitably and in a socially and culturally sensitive manner; receive compensation and resettlement assistance so that their standards of living, income earning capacity, production levels and overall means of livelihood\(^{17}\) are improved; and share in the benefits of the project that involves their resettlement.

The term resettlement refers to both physical displacement\(^{18}\) and economic displacement\(^{19}\).

Resettlement is considered involuntary when the project-affected people are not in a position to refuse the activities that result in their physical or economic displacement. This occurs in cases of lawful expropriation or temporary or permanent restrictions on land use; and negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

When badly planned or inadequately implemented, involuntary resettlement represents a significant additional cost to the main project and can have long-term adverse consequences for the people affected and communities in the surrounding region. In particular, those affected may be subjected to a range of potentially severe impoverishment risks: assets\(^{20}\) or income sources may be lost; people may be relocated to settings in which their productive skills are less useful; competition for education, natural resources and other services may be greater, possibly resulting in civil unrest; community\(^{21}\) institutions and social networks may weaken; kinship groups may be dispersed; and cultural identity, traditional authority and the potential for mutual social responsibility, help, co-operation and cohesion may diminish. This OS attempts to assist borrowers or clients, with support from relevant Bank staff, in addressing these potential costs and risks associated with involuntary resettlement and, in doing so, help to facilitate sustainable development.

\(^{17}\) Livelihood refers to the full range of economic, social and cultural capabilities, assets and other means that individuals, families and communities use to satisfy their needs.

\(^{18}\) Physical displacement refers to relocation or loss of shelter.

\(^{19}\) Economic displacement refers to loss of assets, restriction of access to assets, loss of income sources or loss of means of livelihood.

\(^{20}\) Assets include both economically productive assets (e.g. land, forest, livestock and seeds), but also assets that have social or cultural, rather than economic, value (e.g. sacred sites and community structures).

\(^{21}\) Community refers to a group of people who form around an underlying, instinctive commonality that is built upon, and sustained by, mutual confidence, interaction and co-operation.
The specific objectives of this OS mirror the objectives of the involuntary resettlement policy, namely to:

avoid involuntary resettlement where feasible, or minimize resettlement impacts where involuntary resettlement is unavoidable, exploring all viable project designs;
ensure that displaced people receive significant resettlement assistance, preferably under the project, so that their standards of living, income-earning capacity, production levels and overall means of livelihood are improved beyond pre-project levels;
provide explicit guidance to borrowers, with support from relevant Bank staff, on the conditions that need to be met regarding involuntary resettlement issues in Bank operations in order to mitigate the negative impacts of displacement and resettlement, actively facilitate social development and establish a sustainable economy and society; and
set up a mechanism for monitoring the performance of involuntary resettlement programs in Bank operations and remedying problems as they arise so as to safeguard against ill-prepared and poorly implemented resettlement plans.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process—specifically at the project-screening phase of the project cycle, at which point the magnitude, strategy and timing of the resettlement should be determined.

This OS covers all components of a project, including activities resulting in involuntary resettlement that are directly and significantly related to a Bank-assisted project; necessary to achieve its objectives; and carried out or planned to be carried out contemporaneously with the project.

In line with the framework in the involuntary resettlement policy, this OS covers economic, social and cultural impacts associated with Bank-financed projects involving involuntary acquisition of land, involuntary acquisition of other assets or restrictions on land use and on access to local natural resources which result in:
Relocation or loss of shelter by the people residing in the project area of influence;
Loss of assets or restriction of access to assets including national parks, protected areas or natural resources; or
Loss of income sources or means of livelihood as a result of the project, whether or not the people affected are required to move.

This OS should also be taken into account when a project requires the temporary relocation of people. In that case, the resettlement activities should be subject to consideration and criteria that are consistent with this OS, while taking into account the temporary nature of the displacement. The objectives would be to minimize disruption to the people affected, avoid irreversible negative impacts, provide satisfactory temporary services and, where appropriate, compensate for transitional hardships.
This OS excludes the settlement of refugees and victims of natural disasters. It also excludes resettlement resulting from voluntary land transactions, that is, market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail.

**Eligibility and entitlements**

In alignment with the involuntary resettlement policy, three groups of displaced people shall be entitled to compensation or resettlement assistance for loss of land or other assets taken for project purposes:

Those who have formal legal rights to land or other assets recognized under the laws of the country concerned. This category will generally include people who are physically residing at the project site and those who will be displaced or may lose access or suffer a loss in their livelihood as a result of project activities.

Those who may not have formal legal rights to land or other assets at the time of the census/evaluation but can prove that they have a claim that would be recognized under the customary laws of the country. This category may also include those people who may not be physically residing at the project site or persons who may not have any assets or direct sources of livelihood derived from the project site, but who have spiritual and/or ancestral ties with the land and are locally recognized by communities as customary inheritors or are sharecroppers, tenant farmers, seasonal migrants or nomadic families losing user rights, depending on the country’s customary land use rights.

Those who have no recognizable legal right or claim to the land they are occupying in the project area of influence and who do not fall into any of the two categories described above, but are entitled to resettlement assistance in lieu of compensation for land to improve their former living standards (compensation for loss of livelihood activities, common property resources, structures and crops, etc.), provided they themselves or witnesses can demonstrate that they occupied the project area of influence for a reasonable time (at least six months) prior to a cut-off date established by the borrower or client and acceptable to the Bank.

**OS requirements**

**Project design**

The borrower or client shall consider feasible alternative project designs, including re-siting and re-routing, to avoid or minimize physical or economic displacement, while balancing environmental, social and financial costs and benefits. When the resettlement implications of a project would appear to be particularly severe, the alternative of not going ahead with the project shall be given serious consideration.

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22 Common property resources are those that have value in their entirety, are used communally and are either owned by the government or by more than one individual on a shared or communal basis.
For greater transparency and fairness, all stakeholder groups shall be involved at an early stage in the project design and thereafter through implementation.

**Consultation and participation**

When displacement cannot be avoided, all stakeholders, particularly the people affected and the host communities, shall be meaningfully consulted and involved at all stages of the project cycle in a clear and transparent manner. They shall be actively involved in designing, planning, implementing, monitoring and evaluating the resettlement action plan discussed below. The incorporation of local knowledge into the resettlement action plan shall be made a particular priority. Community participation helps to ensure that compensation measures, development programs and service provisions reflect the needs and priorities of the people affected and their hosts.

The people affected shall be consulted about their preferences pertaining to resettlement and shall be given genuine choices among technically, economically and socially feasible resettlement options. In particular, they shall be given the opportunity to participate in the negotiation of compensation packages; decisions on resettlement assistance and how standards of living, income earning capacity, production levels and overall means of livelihood might be improved through the resettlement action plan; and decisions on eligibility requirements, the suitability of proposed resettlement sites and the proposed resettlement timings.

Relevant resettlement and other project information shall be well disseminated throughout the project area of influence in a timely manner and in a form that is appropriate and understandable to local people.

Special attention shall be given to consultations that involve vulnerable groups, including indigenous peoples. In the context of gender vulnerability, for example, careful consideration shall be given to actively facilitating consultation with and participation by both women and men in ways that are sensitive to the social and political constraints and barriers that women and men may face. Particular attention shall be paid to the location and scheduling of consultation activities to ensure that people of all ages and social groupings can attend and participate with confidence and ease. The ways in which information is disseminated shall also be carefully considered as levels of literacy and networking may differ according to age, gender, economic status and other lines of social hierarchy/discrimination.

**Resettlement planning**

The borrower or client shall carry out a comprehensive socio-economic survey, including a population census and an inventory of assets, including natural assets upon which the affected

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23 This vulnerable status can be determined by identifying a group’s likelihood of facing harder conditions as a result of the resettlement, owing to specific factors, such as a group’s gender, economic status, ethnicity, religion, language or health condition. Depending on the specific context of the resettlement operation, vulnerable groups may thus include, among others, female-headed households, those below the poverty line, the landless, those without legal title to assets, ethnic, religious and linguistic minorities, those who are handicapped, etc. Identifying vulnerable groups should be the result of careful analysis of the social and economic context, the presence of factors that may cause vulnerability and the capacity of the group to cope or adapt.
people may depend for a portion of their livelihoods, to identify the people who will be displaced by the project, all the relevant characteristics of those people, and the magnitude of expected physical and economic displacement. The survey shall include gender- and age-disaggregated information pertaining to the economic, social and cultural conditions of the affected population. This survey process will also ensure that ineligible people, such as opportunistic settlers, cannot claim benefits.

The borrower or client shall, at a minimum, conform to host-government procedures where these exist. In addition, or in the absence of host government procedures, the borrower or client shall establish a cut-off date(s) for eligibility that is acceptable to the Bank. Information regarding the cut-off date(s) shall be well-documented and widely disseminated throughout the project area of influence in a culturally appropriate and accessible manner, prior to taking any action on clearing land or restricting local community access to land.

Seasonal resource users may not be present in the project area of influence during the time of the survey and so special consideration shall be given to the claims of these people.

A culturally appropriate and accessible grievance and redress mechanism, through informally constituted local committees with representatives from key stakeholder groups, shall be established as early as possible in the resettlement process. In particular, vulnerable groups, including indigenous peoples, must be represented on the local committees. This grievance mechanism shall be monitored by an independent third party and shall aim to resolve any disputes arising from the resettlement process and compensation procedures in an impartial and timely manner. The grievance redress mechanism shall not impede access to judicial or administrative remedies.

**Resettlement Action Plan**

The borrower or client shall prepare a Full Resettlement Action Plan (FRAP) for any project that involves a “significant number” of people or has adverse impacts on vulnerable groups, including indigenous peoples.

Annex A of the involuntary resettlement policy provides an outline of a typical FRAP. In summary, the FRAP shall:

Provide a description of the project components or activities that would give rise to resettlement, the zone of impact of such activities and demonstrate that alternative project designs were considered to avoid or minimize resettlement.

Identify the range of potential project-related risks and impacts that the affected people may be subjected to, including landlessness, joblessness, homelessness, lack of access to education,

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24 “Significant number” is defined in the involuntary resettlement policy as 200 or more persons who will experience resettlement effects. In addition to this numerical guidance, project planners and the Bank should also determine the “significance” of a project by evaluating the severity of adverse impacts on vulnerable groups, including indigenous peoples. Any project that has adverse impacts on vulnerable groups should be considered significant, requiring a FRAP.

25 The Bank to advise on if this Annex can be revised to align it with the requirements of OS 2.
marginalization, food insecurity, increased morbidity and mortality, loss of access to common property resources and community disarticulation. Address institutional responsibilities, evaluate the capacity and commitment of the executing agency to carry out the FRAP and outline the involvement of local people and NGOs in planning, implementing and monitoring the resettlement.

Demonstrate that project-related and resettlement-related information was disseminated to the affected population in a prompt and socially and culturally appropriate manner.

Describe the consultation and participation activities undertaken with both displaced and host communities, and present a summary of the views expressed and how these views were taken into account in the preparation of the FRAP.

Demonstrate that a range of alternative-compensation options, resettlement-assistance options and livelihood-improvement options were provided to the affected people.

Outline the choices made by the affected people, including those related to forms of compensation, resettlement assistance and livelihood improvement, to relocating as individual families or as part of pre-existing communities and to retaining access to cultural property.

Demonstrate that adequate attention was paid to the concerns of vulnerable groups, including indigenous peoples, and describe the specific measures taken to address the needs of vulnerable groups; and ensure that they receive adequate compensation, resettlement assistance and livelihood-improvement provisions.

Describe how compromises were arrived at both among the persons affected and between project planners and those persons.

Describe the procedures for redress of affected populations’ and host-community grievances and the legal framework for land acquisition, compensation, resettlement assistance and livelihood improvement.

Provide, in the form of a clear social baseline, the results of the comprehensive socio-economic survey discussed above, a clear definition of the people affected, the criteria for determining their eligibility for compensation, resettlement assistance and livelihood improvement and the relevant cut-off date(s). People who encroach on the project area of influence after the cut-off date(s) are not entitled to any form of resettlement assistance.

Describe the standardized and transparent methodology used in valuing losses to determine their full replacement cost. Full replacement cost is defined as compensation based on the present value of replacement of the lost asset, resource or income without taking into account depreciation.

Describe the proposed types and levels of compensation under local laws, any inconsistencies between the borrower or client’s legal framework and the Bank’s requirements, and the mechanisms adopted to bridge such gaps in order to achieve full replacement cost for lost assets, including both economically productive assets and assets with social or cultural value. The dispute settlement procedures should be sufficiently agile to resolve arguments over valuation quickly.

Describe the packages of compensation and resettlement assistance measures to be provided to assist each category of eligible person affected. The payment procedure should be simple, and payment should be settled before expropriating the land or at least soon after.

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26 Community disarticulation refers to the breakdown of social structures, interpersonal ties and informal networks of mutual confidence, interaction and co-operation, resulting in an overall decline in human capital.
Provide the institutional and technical arrangements for identifying and preparing relocation sites, the procedures for physical relocation, any measures to prevent the influx of ineligible people at the selected sites and the legal arrangements for regularizing tenure and transferring titles to the affected persons.

Propose plans to provide or finance housing, infrastructure and social services, plans to ensure comparable services to affected people and host populations and any necessary site development. Outline a comprehensive livelihood-improvement program that will be implemented with the aim of improving livelihoods beyond pre-project levels.

Provide an assessment of the environmental impacts of the proposed resettlement and measures to mitigate and manage these impacts.

Provide scheduling information on implementation, including target dates for achievement of expected benefits to the affected population and hosts and terminating the various forms of assistance.

Provide a detailed budget breakdown of cost estimates of all resettlement activities, including allowances for inflation and other contingencies, a timetable for expenditures, sources of funds and arrangements for the timely flow of funds.

Propose the arrangements for ensuring the FRAP’s flexibility in terms of managing and accommodating change; and reporting, monitoring and evaluating, including performance-monitoring indicators to measure inputs, outputs and outcomes for resettlement activities. How the affected people will be incorporated into, and participate in, this reporting, monitoring and evaluating process should also be outlined.

For any project in which the number of people to be displaced is “small” (fewer than 200 people) and land acquisition and potential displacement and disruption of livelihoods are deemed less significant, an Abbreviated Resettlement Action Plan (ARAP) shall be prepared and agreed with the borrower or client.

Annex B of the involuntary resettlement policy describes an ARAP. The scope and level of detail required for an ARAP is less than that required for a FRAP, but shall at a minimum include:

The range of potential risks and impacts to which the affected persons may be subjected;
The results of the socio-economic survey in the form of a clear social baseline and the relevant cut-off date(s);
A description of consultation activities with the affected and host populations;
A description of compensation options, resettlement-assistance and livelihood-improvement options to be provided;
A description of the procedures for redress of grievances;
The institutional responsibilities for implementation, including involvement of NGOs in monitoring the RAP; and
The schedule, budget and sources of funds, which should be agreed upon with the executing agency.

Project planners shall work transparently to ensure that the affected people give their demonstrable acceptance to the FRAP/ARAP and that any necessary displacement is done in the context of negotiated settlements with those people.
The FRAP/ARAP shall be submitted as a formal document to the relevant national, local and/or municipal agencies and to the Bank, and should include an executive summary detailing the size of the affected populations, proposed resettlement measures and activities, implementation timetable, outstanding issues, as well as dedicated financial resources for the implementation of activities.

The FRAP shall be finalized as a supplement document to the Environmental and Social Impact Assessment report, while the ARAP shall be finalized as a supplement document to the Environmental and Social Management Plan.

The FRAP/ARAP shall be posted in the Bank’s public information center and the Bank’s website for public review and comments, in accordance with the Bank’s Environmental and Social Assessment Procedures. The FRAP shall be released to the public at least 120 days prior to board presentation. The ARAP shall be released to the public at least 30 days prior to board presentation.

**Compensation procedures**

Units entitled to compensation (e.g. family, household, individual) shall be decided through consultation with those to be displaced. The choice made will guide the methodological preparation and implementation of the socio-economic survey.

The persons affected shall be compensated for their losses at full replacement cost prior to their actual move, before land and related assets are taken, or before project activities begin, whichever occurs first.

The total cost of the project as a result shall include the full cost of all resettlement activities, factoring in the loss of livelihood and earning potential among the affected population. This attempt to calculate the “total economic cost” shall also factor the social, health, environmental and psychological impacts of the project and the displacement, which may disrupt productivity and social cohesion. The resettlement costs shall be treated against the economic benefits of the project and any net benefits to the affected population shall be added to the benefit stream of the project.

Displaced people shall be provided with targeted resettlement assistance\(^\text{27}\) with the aim of ensuring that their standards of living, income-earning capacity, production levels and overall means of livelihood are improved beyond pre-project levels. A comprehensive livelihood improvement program shall be formulated and implemented to achieve this end. Strategies to improve livelihoods may involve providing access to training and should employ appropriate technologies, where applicable.

A range of different compensation-package, resettlement-assistance and livelihood-improvement options shall be offered to the affected populations, including options for administering

\(^{27}\) Targeted resettlement assistance is defined as assistance that is specifically orientated towards, and which responds to the particular needs of, the individuals or groups that will receive it.
compensation, resettlement assistance and livelihood improvement measures at different levels, e.g. family, household and individual, and the affected persons themselves shall be given the opportunity to decide upon their preferences. This option-based resettlement planning is aligned with a development approach that aims to ensure that the affected populations are able to reconstruct their production foundations and become self-sustaining producers and wage-earners.

Particular attention shall be given to ensuring that both women’s and men’s interests, as well as those of the elderly and the handicapped are taken into account when formulating and implementing compensation packages, resettlement-assistance measures and livelihood-improvement measures. Compensation arrangements, resettlement assistance and livelihood-improvement measures, such as skills training, shall be equally available to all social groups and adapted to their specific needs.

The borrower or client shall make every effort to provide opportunities to the affected people to derive appropriate development benefits from the project, which involves their resettlement. The borrower or client shall specifically engage the affected people as project beneficiaries and discuss with them how project-related development benefits might be obtained and spread most effectively among them. Project-related benefits may include access to electricity, roads, sources of irrigation, etc.

Where the affected people do not have land titles, cadastral surveys may have to be carried out to establish the basis for compensation and procedures may have to be established that regularize and recognize claims to land, including claims that derive from customary law and traditional usage. It is particularly important that the country’s national laws and legislation as well as local definitions of land tenure, rights to common property resources and inheritance practices are recognized.

The criteria for site selection shall be explicit and shall be discussed in detail with the affected people. It may be important for rural resettlement programs to ensure that a whole community or village is resettled together.

The criteria for assessing the value of land, housing and other property shall be standardized and transparent and the benefits of the resettlement shall be clearly established. For urban resettlements, provisions may include financial compensation, housing and service provision, including schools, healthcare facilities, etc., transport, credit facilities, training, capacity-building and other job opportunities. For rural resettlements, provisions may also include land-for-land, access to agricultural equipment and other agricultural inputs. In the case of rural areas, the resettlement program shall prioritize land-for-land compensation options for the affected persons whose livelihoods are based on land.

The procedures for allocation of land plots shall be agreed with the affected people and shall be transparent.

Whenever replacement land is offered, displaced people shall be provided with land for which a combination of productive potential, locational advantages and other factors is equivalent to, or better than, the land taken. The land provided should also provide access to safe drinking water and irrigation facilities.
In cases where land is not the preferred option of the displaced people whose livelihoods are land-based, non land-based options shall be considered. These options shall be built around creating employment opportunity or self-employment.

All housing for physically displaced people shall be provided with security of tenure.\textsuperscript{28}

If possible, in-kind replacements shall be applied for compensation for loss of common property resources, such as rivers, lakes or forest resources. Particular attention shall be given not only to replacing the common property itself, but also to the particular services and community inter-linkages that it provided.

Where a project involves the loss of public amenities, the borrower or client shall undertake consultation with the affected community to identify and mutually agree upon suitable alternatives that are equivalent to, or an improvement on, those being lost.

The affected populations and host communities shall be provided with support prior to and during relocation, as well as after relocation, for a transition period that covers a reasonable period of time necessary for them to re-establish themselves and improve their standards of living, income earning capacity, production levels and overall means of livelihood.

Compensation payment procedures shall be simple and shall be independently monitored. Accurate records shall be kept of all transactions.

Considerable attention shall be given avoiding internal community conflict throughout the resettlement process. This shall be a particular focus in relation to decisions around, and the deliverance of, compensation packages, resettlement assistance and livelihood improvement measures to the affected people.

In the case of cash payments, the affected people should be provided with counseling to ensure that compensation is used wisely.

In addition to material provisions, cultural and psychological issues shall be addressed. Attempts shall be made to avoid the destruction of cultural, religious and archaeological sites, including natural sites and habitats valued for these reasons, or provide alternative sites that are acceptable to the affected population. Social structures and community networks among the affected persons should be maintained, while support and advice shall be made available to ensure that the affected persons cope with, and benefit from, the resettlement process.

\textbf{Host communities}

\textsuperscript{28} Security of tenure means that resettled people or communities are resettled to a site that they can legally occupy and from which they are protected from the risk of eviction.
The borrower or client shall carry out a detailed analysis of host communities in order to identify potential problems associated with receiving displaced people; and address these and any related problems so that adverse impacts on host communities are minimized and they are able to share in the development opportunities provided through the resettlement process.

Any payment due to the hosts for land or other assets provided to the affected population shall be promptly rendered.

Conflicts between hosts and the affected population may develop as increased demands are placed on land, water, forests, services, etc., or if those affected by the project are provided with services and housing superior to that of the hosts. These impacts shall be carefully considered when assessing the feasibility and costs of any proposed project involving displacement, and adequate resources shall be reflected in the budget for mitigating these additional environmental and social impacts. The dispute-settlement procedures should be sufficiently agile to quickly resolve conflicts between hosts and the affected population.

**Vulnerable groups, including indigenous peoples**

Special attention shall be given to the needs and concerns of vulnerable groups, including indigenous peoples. Appropriate support shall be provided to help these vulnerable groups cope with the resettlement and to improve their status, in line with national laws. In particular, it shall be ensured that adverse effects are not disproportionately shouldered by such groups and that they are not disadvantaged in relation to sharing the benefits and opportunities that the project should bring.

With respect to gender vulnerability in particular:

Women’s groups and men’s groups shall be involved in resettlement planning, management and operations, and in job-creation and income-generation.

The provision of health-care services, particularly for pregnant women and infants, may be important during and after relocation, to prevent increases in morbidity and mortality due to malnutrition, the psychological stress of being uprooted, and the increased risk of disease. A specific protocol shall be inserted into the RAP specifying safeguards for the quality and quantity of land to be allocated for women, especially widows and divorcees, in order to ensure their means to achieve income generation and food security.

Land titles at the resettlement site shall be in the name of both spouses or of single heads of household regardless of gender, provided that this does not contradict with the borrower or client’s own laws and legislation.

Any compensation payments shall be paid into a joint account in the name of both husbands and wives. Unmarried women and elderly sons and daughters shall be explicitly included as eligible for compensation for loss of land, shelter, livelihoods and other assets.

**Implementation, monitoring and evaluation**

The borrower or client shall be responsible for the implementation, monitoring and evaluation of the activities set out in the RAP, typically quarterly, and shall keep the Bank informed of progress. The resettlement component of an operation shall be fully and specifically covered in
the reports on the progress of the overall project, and included in the logical framework of the operation. The loan agreement, in addition to the RAP, shall specify the monitoring and evaluation requirements and their timing.

An independent third party shall monitor large-scale or complicated RAP implementation, with regular feedback from the affected persons. These persons shall also be given the opportunity to participate in such implementation monitoring.

Quarterly reviews of large-scale resettlement operations are recommended and in-depth reviews of mid-term progress, consistent with the overall project scheduling, are critical. Such reviews shall be planned from the beginning to allow the executing agencies and the Bank to make the necessary adjustments in project implementation.

The effectiveness of mitigation measures recommended and implemented shall be evaluated and the lessons learned use to formulate similar types of projects in the future. The evaluation shall compare the actual situation with the planned or predicted situation, including, in particular, the number of people affected, and review the assumptions, the resettlement-induced and associated risks and the uncertainties encountered.

Monitoring activities shall include a review of the grievance and redress mechanism, the impact of the RAP and its physical progress.

Monitoring shall also evaluate the borrower or client’s commitment to the RAP and the availability of sufficient financial resources, as identified in the budget, for accomplishment of the RAP.

An independent ex-post evaluation shall be carried out by the borrower and the Bank.

Upon completion of the project, the borrower or client shall undertake an assessment of the success of the RAP, known as a Project Completion Report (PCR). This shall be followed by the Bank’s own PCR. If either of these assessments reveals that any key objectives of the RAP were not achieved, follow-up measures shall be developed to remedy the situation.

**OS 3. Operational Safeguard on Biodiversity and Ecosystem Services**

This OS outlines the requirements for borrowers or clients to:

Identify and implement opportunities to preserve biodiversity and conserve natural habitats; and

Observe, implement, and respond to requirements for the preservation and management of priority ecosystem services.  

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29 Biodiversity is “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems”. Source: The Convention on Biological Diversity.
The specific objectives are to:

preserve biological diversity and ecosystem integrity by avoiding or, if not possible, reducing and minimizing potentially harmful impacts on biodiversity;
In cases where some impacts are unavoidable, endeavor to reinstate or restore biodiversity including, where required, the implementation of biodiversity offsets to achieve “not net loss but net gain” of biodiversity;
protect natural, modified and critical habitats; and
sustain the availability and productivity of priority ecosystem services to maintain benefits to the affected communities and to sustain project performance.

This OS reflects the objectives of the Convention on Biological Diversity to preserve biological diversity and promote the sustainable use of natural resources. This OS also aligns with the Ramsar Convention on Wetlands, the Convention on the Conservation of Migratory Species of Wild Animals, the Convention on International Trade in Endangered Species of Wild Flora and Fauna, and the Millennium Ecosystem Assessment.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process.

The OS shall specifically apply to Bank operations that will:

be located in any type of habitat;\(^{31}\)
be located in areas providing ecosystem services upon which potentially affected stakeholders are dependent for survival, sustenance, livelihood or primary income, or which are used for sustaining the project; and
extract natural resources as a main purpose (e.g. plantation forestry, commercial harvesting, agriculture, livestock, fisheries and aquaculture).

OS requirements

Environmental and Social Assessment

\(^{30}\) Ecosystem services are the benefits that people derive from ecosystems. Ecosystem services are organized into four types of services: (i) provisioning services, which are the products people obtain from ecosystems (food, freshwater, wood and fiber, fuel); (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes (climate regulation, flood regulation, disease regulation, water purification); (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems (aesthetic, spiritual, educational, recreational); and (iv) supporting services, which are the natural processes that maintain the other services (nutrient cycling, soil formation, primary production).

\(^{31}\) Habitat is defined as a terrestrial, freshwater, or marine geographical unit or an airway passage that supports complexities of living organisms and their interactions with the non-living environment. Source: *IFC PS 6 (Version 2010).* For the purpose of this OS habitats are divided in natural, modified and critical (see definitions in requirement 4 of this OS).
As part of the environmental and social assessment, the borrower or client shall identify and assess the potential opportunities, risks and impacts for and to biological diversity and to ecosystem services. Direct, indirect and residual impacts shall be considered in the assessment.

The borrower or client shall seek to avoid harmful impacts or, if not possible, minimize or reduce them. Where avoidance or minimization of harm is not possible, mitigation and/or restoration measures shall be implemented.

Special attention shall be given to the major threats to biodiversity and ecosystem services, such as land conversion, forest fragmentation, deforestation, overexploitation of natural areas and resources, invasive alien species, and natural habitat loss.

The borrower or client shall assess additional biodiversity and ecosystem-services values, for example, cultural, aesthetic, spiritual, educational, and recreational values, identified by potentially affected community members and other stakeholders, including indigenous peoples.

**Preservation of habitats and biodiversity**

**Habitats**

For the purpose of the implementation of this OS, the following habitat categories will be considered:

Modified habitats: habitats that have been significantly altered by anthropogenic activities and the original species composition, richness and abundance reduced, with evidence of colonization by non-native species. Modified habitats include areas that have a large proportion of non-native flora and fauna or habitats that have been transformed by human activities, modifying the area’s primary ecological functions.

Natural habitats: habitats in which the species composition, richness and abundance have not been modified by anthropogenic activities and native species have been preserved. Natural habitats are characterized by having original populations of native flora and fauna and are habitats that have not undergone transformation by human activities.

Critical habitats: habitats that have a high biodiversity value; they could be either modified or natural habitats. Critical habitats include:

i. habitats of significant importance to critically endangered and/or endangered species;\(^{32}\)

ii. habitats of significant importance to endemic and/or restricted-range species;

iii. habitats of significant importance to globally significant concentrations of migratory species and/or congregatory species;\(^{33}\)

\(^{32}\) As per the IUCN classification.

\(^{33}\) Congregatory species are those that gather in globally significant numbers or concentrations at a particular site at a particular time of their lifecycle for feeding, resting, roosting or breeding (IFC 2008, Langhammer et al. 2007).
iv. regionally significant and/or highly threatened or unique ecosystems;
v. areas that are associated with key evolutionary processes; and
vi. areas that are important to species that are vital to ecosystems, such as keystone species.  

For projects that are being developed in natural habitats, critical habitats or legally protected areas, the borrower or client shall retain external experts who are qualified and experienced in biodiversity studies to assist in conducting the impact assessment and in developing and implementing mitigation and management strategies.

If the project will take place in a natural or critical habitat, or in a legally protected or internationally recognized area (see requirement 13), the borrower or client shall consider in the assessment the potential risks and impacts that may occur at the landscape or seascape level.  

The borrower or client shall try to minimize any further degradation or habitat conversion in modified habitats. If the borrower or its consultants identify areas of biodiversity and conservation value within the project’s area of influence, the borrower or client should take steps to promote conservation activities in such areas.

The borrower or client shall ensure that the project will not cause significant modification of natural habitats. This applies to all projects except when:

there are no technically and cost-effective viable alternatives for the project to be implemented in a modified habitat;
the biodiversity mitigation hierarchy has been properly implemented and appropriate mitigation measures have been designed; and
the opinions and concerns of affected communities, as identified through the consultation process, have been addressed in the design of the mitigation measures.

If projects are to be developed in natural habitats, mitigation measures shall be designed and implemented to achieve either net benefit or no net loss of biodiversity, if feasible. In certain cases, this can be done by developing a biodiversity-offsets program, in accordance with the biodiversity-offset principles established by the Business and Biodiversity Offsets Program.

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35 The concept landscape/seascape could correspond to either an eco region, biome or any ecologically significant unit of space on a regional level, or an administrative or territorial boundary or a particular zoned area within international waters.

36 Significant conversion or degradation is the elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use, or a modification that substantially minimizes the habitat’s ability to maintain viable populations of its native species. Source: IFC PS 6.

37 Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant adverse biodiversity impacts arising from project development and persisting after the mitigation hierarchy has been implemented. Generally these are not within the project site. Source IFC PS 6 (2010 version)

38 Biodiversity-offset principles involve: no net loss, adherence to the mitigation hierarchy, landscape context, stakeholder participation equity, long-term success and transparency. The Business and Biodiversity Offsets Program provides examples of biodiversity-offset actions, which may include:

- Improving conservation status of neglected zones;
Set-asides may be implemented as part of the offsetting process. Other measures to achieve either net benefit or no net loss of biodiversity include: ecological restoration of habitats, investing in a relevant and credible offset banking scheme and measures to reduce habitat fragmentation.

Borrowers or clients may be permitted to implement a project in a critical habitat if they are able to demonstrate, using appropriate measurement and monitoring methods, that: (a) the mitigation hierarchy has been implemented; (b) the project-related activities will not have adverse effects on the criteria for which the critical habitat was designated; (c) the borrower or client can demonstrate the project will not have any negative effects on critically endangered or endangered species; and (d) a biodiversity-monitoring program has been implemented.

Projects that are permitted to take place in critical habitats shall design biodiversity offsets to achieve a net positive gain in biodiversity.

If the project takes place in a critical habitat, the borrower or client shall develop and implement a Biodiversity Action Plan (BAP). The borrower or client shall ensure sufficient organizational capability for the BAP design and implementation throughout the project cycle.

When the habitat/biodiversity implications of a project would appear to be particularly severe, the alternative of not going ahead with the project shall be given serious consideration.

Legally protected areas and internationally recognized areas

Where projects are permitted by national regulations to encroach on legally protected areas or internationally recognized areas, the borrower or client shall comply with national and local regulations for appropriate environmental management, and shall consult with relevant stakeholders during preparation of management and mitigation measures. The borrower or client shall also determine if the area is critical, natural or modified, and shall then implement the relevant requirements of this OS.
Invasive alien species and genetically modified organisms (GMOs)

The borrower or client shall not intentionally introduce any alien species (that is, species not currently established in the country or region of the project) unless carried out in accordance with the existing regulatory framework for such introduction; or the introduction is subject to a risk assessment, as part of the environmental assessment, to determine the potential for invasive behavior. Under no circumstances should species known to be invasive be introduced into new environments. The borrower or client shall undertake assessment of the possibility of accidental or unintended introduction of invasive alien species and identify measures to minimize the potential for release.

If invasive alien species already exist in the area, the borrower or client shall not undertake activities that may enhance their competitiveness in comparison with native/indigenous species or that will potentially promote the spread of alien species. The feasibility and cost-effectiveness of eradication measures for alien species should be assessed.

GMOs shall neither be released into the environment nor intentionally introduced unless national regulations allow this. Under such circumstances, an appropriate risk-assessment shall be carried out, including an analysis of the GMOs’ competitive advantage over native species, and the potential for introducing ‘foreign’ genes into the gene pool by cross-contamination or unplanned genetic transfer.

Management of renewable natural resources

Projects whose main objective includes the extraction of renewable natural resources, such as forestry, agriculture, animal breeding and fisheries, shall manage these resources in a sustainable manner, with preference for internationally recognized systems of certification of sustainable management and use.

Plantation forestry and commercial harvesting

The borrower or client shall assess the type of habitat that will potentially be affected and follow the requirements of this OS (see requirements 10-18 above).

Borrowers or clients shall implement industry-specific good-management practices and best available technologies.

Agriculture and livestock

The borrower or client shall assess the type of habitat that will potentially be affected and follow the requirements of this OS (see requirements 10-18 above).

The borrower or client shall follow agricultural and livestock best practices, and use methods that do not deplete the natural-resource base.

Fisheries and aquaculture
The borrower or client shall assess the type of habitat that will potentially be affected and follow the requirements of this OS (see requirements 10-18 above).

Borrowers or clients shall implement industry-specific good-management practices. Where a borrower or client promotes the development of artisanal fisheries, the methods used shall be suited to the environmental context, and avoid unsuitable or illegal fishing techniques. They should also be culturally appropriate to the communities concerned.

**Supply chain**

If the borrower or client uses external suppliers of living resources, where the borrower or client does not have management control over their sourcing and the resources are key to the project’s core functions, the borrower or client shall develop and implement a sustainable resources-procurement policy, procedures and action plan to ensure that:

- only resources of a legal and sustainable origin are purchased, making use of internationally recognized sustainability schemes where possible;
- the origin of the resources is monitored; and
- the resources do not originate from legally protected areas or internationally recognized high conservation value areas.

**Management of ecosystem services**

If during the environmental and social assessment it is determined that there may be impacts on important ecosystem services, an ecosystem services review shall be performed in order to identify the risks to priority ecosystem services. The borrower or client shall encourage and facilitate participation of affected communities in the ecosystem services review.

The significance of ecosystem services shall be determined in terms of their value for the welfare and livelihoods of affected communities, the benefits they provide to the sustainable operation of the project (e.g. water), and the benefits they provide at the landscape/seascape level or existence options values.

After the assessment of the significance of ecosystem services, the borrower or client shall prioritize ecosystem services. For the priority ecosystem services, the impact and dependence of the project will be assessed in terms of change in communities’ well-being and project performance.

Adverse impacts on priority ecosystem services should be avoided where possible. If these impacts are unavoidable, borrowers shall identify ways to reduce these impacts and implement restoration measures that aim to maintain the value and functionality of those priority ecosystem services. These measures shall be included in the ESMP.

**OS 4. Operational Safeguard on Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency**
This OS outlines the main pollution prevention and control requirements that borrowers or clients shall adhere to in order to achieve a high-quality environmental performance over the life of the project and efficient and sustainable use of natural resources.

The specific objectives are to:
- manage and reduce pollutants resulting from the project so that they shall not pose harmful risks to human health and the environment, including hazardous, non-hazardous waste and GHG emissions;
- set a framework for efficiently using all a project’s raw materials and natural resources, especially energy and water.

This OS draws from and aligns Bank operations with existing international conventions and standards relating to pollution, hazardous materials and waste, and related issues. It also requires compliance with internationally accepted environmental standards, particularly the World Bank Group Environmental Health and Safety (EHS) Guidelines.

**Scope of application**

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process.

**OS requirements**

**Pollution prevention and control, and resource efficiency**

The borrower or client shall apply pollution-prevention and control measures consistent with national legislation and standards, applicable international conventions, and internationally recognized standards and good practice, particularly the World Bank Group’s EHS Guidelines.

When national legislation and regulations differ from the standards and measures presented in the EHS Guidelines, borrowers or clients will normally be required to achieve whichever is more stringent. However, if less-stringent levels or measures are appropriate in view of specific project circumstances, the borrower or client will provide full and detailed justification for any proposed alternatives through the social and environmental assessment process. This justification must

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42 Pollutants: Hazardous or non-hazardous chemicals in the solid, liquid or gaseous phases, and is intended to include other forms, such as pests, pathogens, thermal discharge to water, GHG emissions, nuisance odors, noise, vibration, radiation, electromagnetic energy and the creation of potential visual impacts including light. *Source: IFC PS 3.*

43 These include the Convention on Long-range Transboundary Air Pollution, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, the London Convention for Ocean Disposal, the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer.

44 The EHS Guidelines are technical reference documents with general and industry-specific examples of good international industry practice. The EHS Guidelines contain the performance levels and measures that are normally acceptable to World Bank Group and are generally considered to be achievable in new facilities at reasonable costs by existing technology. They have been adopted by most MDBs and by the Equator Banks.
demonstrate that the choice of any alternate performance levels is consistent with the overall requirements of this OS.

The borrower or client shall include resource-efficiency and pollution-prevention principles as part of the project policy, consistent with the principles of cleaner production.\(^{45}\)

Across the different phases of the project’s lifecycle, including planning and design, construction, commissioning, operations and decommissioning, the borrower shall assess and evaluate resource-efficiency and pollution-prevention techniques and implement them, considering their technical and financial feasibility and cost-effectiveness.\(^{46}\)

The borrower or client shall avoid or, where avoidance is not possible, control and reduce the generation of pollutants at source.

The borrower or client shall prevent the discharge of pollutants to air, surface and groundwater and soil. If total prevention is not feasible, the borrower or client shall take specific actions to reduce or minimize the effluents or volume of discharges. This applies to the release of pollutants during planned activities as well as unplanned events or emergencies that may result in local, regional and transboundary impacts.

The borrower or client shall evaluate the potential impacts of pollutant discharges to the environment considering potential receptors and assess:

- environmental carrying capacity;
- land use (current and future);
- surrounding communities and poverty conditions;
- local, regional and transboundary potential impacts;
- proximity to environmentally sensitive areas;
- proximity to surface and groundwater sources; and
- potential cumulative impacts.

### Waste

The borrower or client shall avoid or, where avoidance is not possible, control and reduce the generation of hazardous and non-hazardous waste at source, in compliance with applicable

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\(^{45}\) Cleaner production refers to the concept of integrating pollution reduction into the production process and design of a product. This involves continuous application of an integrated preventive environmental strategy to processes, products and services in order to increase overall efficiency and reduce risks to humans and the environment through the conservation of raw materials, water and energy and through the reduction or elimination of the use of toxic and hazardous raw materials. Cleaner production can also mean taking advantage of renewable energy sources. Source: *IFC EHS Guidelines (Guidance note No. 3) and UNEP*.

\(^{46}\) Technical feasibility: the proposed measures and actions can be implemented with commercially viable skills, equipment and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity and operational reliability. Financial feasibility: the ability to apply sufficient financial resources to install the measures and maintain them in operation in the long term. Cost-effectiveness: determined according to the capital and operational cost and also financial benefits of the measure considered over the life of the measure. Source: *IFC PS 3*. 
international conventions. If waste cannot be recovered or reduced, the borrower or client shall adopt treatment measures and environmentally sound disposal practices.

The borrower or client shall, at the early stages of the project, identify the potential hazardous waste to be generated throughout the project’s lifecycle, in order to determine cost-effective alternatives for its environmentally sound disposal, in agreement with international treaties and best practices.

If significant production, use or generation of hazardous materials or waste cannot be avoided, a management plan shall be prepared in the framework of a lifecycle assessment (transport, handling, storage and disposal). Each management plan should incorporate management and reporting practices, including preventive and contingency measures, in consultation with potentially affected workers and communities.

If third parties are to be used for hazardous-waste management and disposal, the borrower or client shall evaluate their legitimacy and legality for conducting hazardous-waste management activities and obtain the chain of custody documentation.

**Greenhouse gas (GHG) emissions**

The borrower or client shall endeavor to adopt measures to reduce GHG emissions produced by project sources, directly and indirectly, considering measures that are financially and technologically feasible as well as cost effective.

Early identification of GHG emission quantities will provide the borrower or client a basis to determine if significant amounts of absolute emissions (in tons of CO$_2$ equivalent per annum) will be released. If this is the case, the borrower or client shall establish a baseline and then regularly monitor GHG emissions after the implementation of reduction measures.

The borrower or client shall evaluate options to offset GHG emissions considering carbon financing, the use of renewable energy resources, the reduction of fugitive emissions and the reduction of flaring, if applicable.

**Hazardous materials management**

At the early project stages, the borrower or client shall determine the potential hazardous materials to be used or generated throughout the lifecycle of the project and consider alternatives that use or generate less-hazardous chemicals.

All chemicals that are or will be banned by international treaties, including ozone-depleting substances, environmentally persistent or potentially bioaccumulative pollutants, shall not be manufactured, traded or used by the borrower or client.

**Pesticide use and management**

47 A significant amount is considered to be 200,000 tons of CO$_2$ equivalent per annum (absolute emissions).
In the case of projects that involve the use of pesticides, the borrower or client shall assess the need for and, if appropriate, plan and implement an Integrated Pest Management (IPM) and/or an Integrated Vector Management (IVM) program for pest-management activities for the full lifecycle of the project. The IPM or IVM program should involve pest-control methods including cultural practices, biological control, genetic control and, as a last resort, chemical means.

If pesticides are used for pest-control management, the borrower or client shall only select low-toxicity pesticides that do not pose a threat to human health or the environment, and that will not affect natural pest enemies. The borrower or client shall manage and dispose pesticides in accordance with good international industry practice, such as the Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides.

The borrower or client shall not use pesticides classified as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous).

**Emergency preparedness and response**

The borrower or client shall determine if the project poses any operational risk of accident or emergency events and shall assess the options for responding to such situations. If appropriate, the borrower or client shall develop an emergency response plan, proportionate to the risk, to respond to accidents or emergency events that may pose risks to human health and the environment.

**Resource efficiency**

Borrowers or clients shall evaluate and, if appropriate, implement financially feasible and cost-effective measures for improving efficiency in the project’s consumption of resources such as energy, water, raw materials, and other resources.

**OS 5. Operational Safeguard on Labor Conditions, Health and Safety**

Labor is one of the most important assets of a country in the pursuit of poverty reduction and economic growth. The respect of workers’ rights is one of the keystones for developing a strong and productive workforce. This OS outlines the main requirements embodied in relevant international conventions that borrowers or clients shall follow to protect the rights of workers and provide for their basic needs.

The specific objectives are to:

- protect the workers’ rights;
- establish, maintain, and improve the employee–employer relationship;
- promote compliance with national legal requirements and provide due diligence in case national laws are silent or inconsistent with the OS;
provide broad consistency with the relevant International Labor Organization (ILO) Conventions, ILO Core Labor Standards and the UNICEF Convention on the Rights of the Child in cases where national laws do not provide equivalent protection; protect the workforce from inequality, social exclusion, child labor and forced labor; and establish requirements to provide safe and healthy working conditions.

**Scope of application**

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process.

**OS requirements**

**Working conditions and management of worker relationship**

**Human resources policies and procedures**

In cases where the borrower or client intends to employ a workforce for the project, it should develop and implement a human resources policy and procedures appropriate to the nature and size of project and the scale of the workforce in alignment with this OS and with applicable national laws.

The borrower or client shall provide all employees with documents that contain information on their employment terms, conditions and rights, including national employment law. These documents should, as appropriate, include information on (but not limited to):

- working hours;
- wages and benefits;
- rest periods;
- overtime arrangements;
- leave entitlement for illness and maternity/paternity; and
- grievance mechanisms.

**Working conditions and terms of employment**

Where the borrower or client is party to a collective bargaining agreement with a workers’ organization, such agreement shall be respected. Where such agreements do not exist, or do not address working conditions and terms of employment, the borrower or client shall provide

48 The term ‘collective bargaining’ extends to all negotiations that take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations, on the other, to
(a) determine working conditions and terms of employment; and/or
(b) regulate relations between employers and workers; and/or
(c) regulate relations between employers or their organizations and a workers’ organization or workers' organizations.

*Source: ILO Collective Bargaining Convention, 1981*
reasonable working conditions and terms of employment that, at a minimum, comply with national law.

Where migrant workers are employed, they shall be employed in accordance with local laws and on comparable terms and conditions as non-migrant workers when employed in similar work.

Where the borrower or other third parties directly or indirectly provide residential or temporary accommodation to workers, facilities shall provide all basic services, including water, sanitation, and, in certain cases, availability of medical care. The services shall be provided in a manner consistent with the principles of non-discrimination and equal opportunity.

Worker’s organizations

In countries where national law recognizes workers’ rights to form and to join workers’ organizations of their choice without interference and to bargain collectively, the borrower or client shall comply with national law.

Where national law substantially restricts or prohibits the formation of workers’ organizations, such as trade unions, the borrower or client shall provide mechanisms for the workforce to express their joint requests and grievances and protect their rights regarding working conditions and terms of employment. The borrower shall not seek to exert influence or try to control these means.

Where national law is silent, or if it prohibits the workforce’s right to create worker’s organizations such as trade unions, the borrowers or clients shall not prevent the workforce from forming such organizations and from participating in workforce organization meetings.

The borrower or client shall not discriminate or retaliate against workers who represent, participate, or seek to participate, in such organizations.

Non-discrimination and equal opportunity

The borrower or client shall not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. The borrower or client shall base the employment relationship on the principle of equal opportunity and fair treatment, and shall not socially exclude with respect to any aspects of the employment relationship, such as recruitment.

49 “Basic services” may include: Security arrangements, appropriate work temperature, safe food, drinking water, access to safe exit in emergency conditions, segregated toilets, washing facilities and sleeping areas for women and men, and access to means of communication with areas outside the project boundary.

50 Discrimination is:(a) any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation; (b) such other distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation as may be determined by the Member concerned after consultation with representative employers' and workers' organizations, where such exist, and with other appropriate bodies.

Any distinction, exclusion or preference in respect of a particular job based on the inherent requirements thereof shall not be deemed to be discrimination. Source: ILO.
and hiring, compensation, including wages and benefits, working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and disciplinary practices. The principles of non-discrimination apply to migrant workers.

The borrower or client shall take special measures to address harassment, intimidation, and/or exploitation, especially in relation to women. The borrower or client shall also prevent social exclusion or employment inequalities to women and workers with family responsibilities and, to the extent possible, allow employment not to conflict with family responsibilities.

When national laws are silent on non-discrimination in employment, the borrower or client shall meet the requirements of this OS. In circumstances where national law is inconsistent with this OS, the borrowers or clients should endeavor to carry out their operations consistent with this OS and/or ILO standards, without contravening applicable laws.

Retrenchment

Where the borrower or client proposes to implement collective dismissals, an analysis of alternatives to retrenchment shall be conducted. If the analysis does not identify alternatives to retrenchment, a retrenchment plan shall be developed and implemented to mitigate the adverse impacts of retrenchment on workers. The retrenchment plan should be based on the principle of non-discrimination and should reflect the borrower's consultation with workers, their organizations and, where appropriate, the government. The borrower or client shall comply with all legal and contractual requirements related to notification of public authorities, and provide information to and consult with workers and their organization. The borrower or client shall comply with national laws in terms of supplying severance payments and benefits.

Grievance and redress mechanism

The borrower or client shall ensure that a workforce grievance mechanism is available and made known to workers and third parties’ workers (and their organizations, where they exist) to raise reasonable workplace concerns in a transparent manner without fear of retribution. The grievance mechanism should be permanently available and made known to workers at recruitment. The mechanism should not impede access to other judicial or administrative remedies that might be available under the law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.

Protecting the workforce

Child labor

The borrower or client shall not employ children in any manner that is economically exploitative, or is likely to be hazardous or to interfere with the child’s education or to be harmful to the
child’s health. Where national laws have provisions for the employment of minors, the borrower or client shall follow those laws applicable to the project.

Forced labor

The borrower or client shall not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements.

The borrower or client shall not employ trafficked persons. Women and children are particularly vulnerable to trafficking.

Occupational health and safety

The borrower or client shall provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the borrower or client’s work areas, including physical, chemical, biological, and radiological hazards.

Within the environmental and social management system, the borrower or client shall include a health safety and environmental program that includes plans or procedures targeted to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by:

Identifying and minimizing, as far as reasonably practicable, the causes of potential safety and occupational hazards to workers, including exposure to inappropriate levels of noise, temperature, radiation or lighting;
Providing preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances;
Providing appropriate equipment to minimize risks, and requiring and enforcing its use;
Training workers and providing appropriate incentives for them to use and comply with health and safety procedures and protective equipment;
Documenting and reporting on occupational accidents, diseases and incidents; and
Developing emergency prevention, preparedness and response arrangements.

The borrower or client shall comply with all local and national environmental, health and safety laws and regulations.

Workers procured by third parties

In respect of workers procured by third parties to work directly on or support the project, the borrower or client shall ascertain that the contractors, subcontractors, or intermediaries who procure these workers are reputable and legitimate enterprises and have appropriate management systems to operate in a manner consistent with the requirements of this OS.

51 See the UNICEF Convention on the Rights of the Child, Article 32.
The borrower or client shall establish policies and procedures for managing these contractors, subcontractors and intermediaries and monitor their performance in relation to the requirements of this OS. In addition, the borrower or client shall incorporate these requirements in contractual agreements with its contractors, subcontractors and intermediaries.

**Supply chain**

The adverse impacts associated with supply chains shall be considered where there is a high risk of child labor, forced labor, or significant occupational, health or safety issues. The borrower or client shall inquire about and address child labor and forced labor in its supply chain, consistent with paragraphs 18, 19 and 20 above.

The borrower or client shall use reasonable efforts to ensure that primary suppliers are taking steps to prevent or to correct imminent danger of death or serious life-threatening harm to its workers.