AFRICAN DEVELOPMENT BANK GROUP

AFRICAN DEVELOPMENT BANK'S INTEGRATED SAFEGUARDS SYSTEM

Policy Statement and Operational Safeguards

December 2013

ORQR DEPARTMENT

SCCD : G. G.

PREAMBLE

The African Development Bank Group (AfDB)[1] presents its Integrated Safeguards System, a cornerstone of its strategy to promote growth that is socially inclusive and environmentally sustainable. Safeguards are a powerful tool for identifying risks, reducing development costs and improving project sustainability, thus benefiting affected communities and helping to preserve the environment.

With this Integrated Safeguards System the Bank will be better equipped to address emerging environmental and social development challenges. The Integrated Safeguards System not only promotes best practices in these areas but also encourages greater transparency and accountability. It upholds the voices of people who are affected by Bank-funded operations, especially the most vulnerable communities, by providing, for example, project-level grievance and redress mechanisms—a structured, systematic and managed way of allowing the voices and concerns of affected people to be heard and addressed during project planning and implementation.

The AfDB, in accordance with its mandate as set out in Article 1 of the Bank Agreement and Article 2 of the Fund Agreement, and the provisions in Article 38 of the Bank Agreement and Article 21 of the Fund Agreement, views economic and social rights as an integral part of human rights, and accordingly affirms that it respects the principles and values of human rights as set out in the UN Charter and the African Charter of Human and Peoples' Rights. These were among the principles that guided the development of the Integrated Safeguards System. The AfDB encourages member countries to observe international human rights norms, standards, and best practices on the basis of their commitments made under the International Human Rights Covenants and the African Charter of Human and Peoples' Rights.

The Integrated Safeguards System has been developed through extensive consultations. In particular, five regional workshops—in Nairobi, Lusaka, Libreville, Abuja and Rabat—provided the Bank with an opportunity to listen to and address concerns raised by our stakeholders and civil society.

All of this has contributed to what we believe is an unusually strong and well-considered policy package for the Bank—one that is built on broad experience, embodies today's cutting-edge thinking, and will serve the Bank and Africa for many years to come.

It puts the Bank in the forefront of multilateral development banks, with a clear, integrated package of policies and procedures to address the safeguards issues that arise in development. We believe the Integrated Safeguards System will strengthen the Bank's ability to carry out its mandate and will help increase the effectiveness and development impact of our operations.

But more than that, the Integrated Safeguards System will be one of the strongest tools we have for helping to promote the well-being of our true clients, Africa's people.

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[1] The AfDB comprises the African Development Bank and the African Development Fund.

TABLE OF CONTENTS

F I G U R E S   A N D   T A B L E S

BOXES

A C K N O W L E D G E M E N T S

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We acknowledge the contributions of the following staff: Justin Ecaat, Eskender Zeleke, Aimee Bella-Corbin, Anouk Fouich, Annah Rutebuka, Osman-Elasha Balgis, Mwila Musumali, and Uzoamaka Nwamarah. The document was peer-reviewed by Yogesh Vyas, Kurt Lonsway, Ken Johm, Awatef Siala Fourati, Kelello Ntoampe, Rachel Aron, Uche Duru, Elizabeth Ndinya, Modest Kinane, Eloise Fluet, Alexis Rwabizambuga, Francesca Russo, Kisa Mfalila, Laouali Garba, Alolo Alhassan Namawu, Massamba Diene, John Kanyarubona, Alfred Helm, Mamadou Kane, Souleye Kitane, Amadou Bamba Diop, Kalidou Gadio, Mamadou Deme, Felix Baudin, Adila Abusharaf, Grace Kimani, Zeneb Touré, May Ali Babiker, and Gisela Geisler.

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Earlier drafts of the report have been reviewed by the IFC, World Bank, Asian Development Bank, and other members of the MFI Working Group on the Environment (MFI-WGE). Several of the Bank's other international partner organisations have also contributed to this effort: IUCN, World Wide Fund for Nature, International Trade Union Confederation, Conservation International, Bank Information Center, CSO Coalition on the AfDB, Brookings Institute, and many others located in Africa: IRPAD/Afrique, Mali; Jamaa Resource Initiatives, Kenya; Lumière Synergie pour le Développement, Sénégal; and Both Ends.

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
ARAP	Abbreviated Resettlement Action Plan
AsDB	Asian Development Bank
CODE	Committee on Development Effectiveness, AfDB
CSO	Civil society organisation
CSP	Country Strategy Paper
EBRD	European Bank for Reconstruction and Development
EHS	Environment, Health and Safety
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
ESAPs	Environmental and Social Assessment Procedures
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FAO	Food and Agriculture Organization of the United Nations
FRAP	Full Resettlement Action Plan
GECL	General Counsel and Legal Services Department, AfDB
GHG	Greenhouse gas
IADB	Inter-American Development Bank
IESIA	Integrated Environmental and Social Impact Assessment
IFC	International Finance Corporation
ILO	International Labour Organization
IRM	Independent Review Mechanism, AfDB
ISS	Integrated Safeguards System
ISTS	Integrated Safeguards Tracking System
IUCN	International Union for the Conservation of Nature
MFI	Multilateral financial institution
MFI-WGE	Multilateral Financial Institutions Working Group on the Environment
OITC	Transport and Information and Communication Technology Department,
ONEC	Energy, Environment and Climate Change Department, AfDB
ONRI	Regional Integration and Trade Department, AfDB
OPEV	Operations Evaluation Department, AfDB
OpsCom	Operations Committee, AfDB
OPSM	Private Sector Department, AfDB
ORQR	Quality Assurance and Results Department, AfDB
ORVP	Vice-Presidency Operations I for Country and Regional Programs and Policy
OS	Operational Safeguard
OSAN	Agriculture and Agro-Industries Department, AfDB
OSHD	Human and Social Development Department, AfDB
PCR	Project Completion Report
RISP	Regional Integration Strategy Paper
RMC	Regional member country
SAP	Business management software
SEGL	Secretariat General, AfDB
SESA	Strategic Environmental and Social Assessment
UNICEF	United Nations Children's Fund
WB	World Bank

EXECUTIVE SUMMARY

This paper establishes the guiding principles for an Integrated Safeguards System (ISS) that consolidates and revamps the African Development Bank's existing environmental and social safeguards. The paper presents two components of the ISS—the Integrated Safeguards Policy Statement and five Operational Safeguards.

Approach and rationale for the Integrated Safeguards System

The environmental and social safeguards of the African Development Bank (AfDB, or the Bank) are a cornerstone of the Bank's support for inclusive economic growth and environmental sustainability in Africa. As the Bank adapts to emerging environmental and social development challenges, safeguards can quickly become out of date.

To better articulate its safeguard policies while improving their clarity, coherence and consistency, the Bank has developed an Integrated Safeguards System (ISS). The ISS builds on the two previous safeguard policies—Involuntary Resettlement (2003) and Environment (2004)—and on three cross-cutting policies and strategies: Gender (2001), the Climate Risk Management and Adaptation Strategy (2009) and the Civil Society Engagement Framework (2012).

It also builds on the Bank's sector policies: Health (1996), Integrated Water Resources Management (2000), Agriculture and Rural Development (2000, 2010), and Poverty Reduction (2004). It brings these policies and strategies into a consolidated framework that is intended to enhance the effectiveness and relevance of the Bank's work. In doing so, the ISS seeks to:

- Better align the safeguards with the Bank's new policies and strategies, including the Bank's new Ten-Year Strategy (2013-2022);
- Adopt good international practice, including on climate change;
- Adapt policies to an evolving range of lending products and innovative financing modalities;
- Work toward greater harmonisation of safeguard practices across multilateral finance institutions;
- Tailor safeguard approaches to different clients with varying capacities; and
- Improve internal processes and resource allocation.

The ISS consists of four interrelated components:

1. *The Integrated Safeguards Policy Statement* describes common objectives of the Bank's safeguards and lays out policy principles. It is designed to be applied to current and future lending modalities, and it takes into account the various capacities and needs of regional member countries in both the public and private sectors.
2. *Operational Safeguards (OSs)* are a set of five safeguard requirements that Bank clients are expected to meet when addressing social and environmental impacts and risks. Bank staff use due diligence, review and supervision to ensure that clients comply with these requirements during project preparation and implementation. Over time the Bank may adopt additional safeguard requirements or update existing requirements to enhance effectiveness, respond to changing needs, and reflect evolving best practices.
3. *Environmental and Social Assessment Procedures (ESAPs)* provide guidance on 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.

4. *Integrated Environmental and Social Impact Assessment (IESIA) Guidance Notes* provide technical guidance to the Bank's borrowers or clients on standards on sector issues, such as roads and railways, hydropower, or fisheries, or on methodological approaches clients or borrowers are expected to adopt to meet OS standards.

In addition to laying the foundations for the ISS, this paper covers the first two of its components—the Integrated Safeguards Policy Statement and the five Operational Safeguards. The other two components—the ESAPs and the IESIA Guidance Notes—are being prepared on the basis of the draft ISS but can only be produced after the Board formally approves the underlying policy principles. The ESAPs and the IESIA Guidance Notes are expected to be ready by the first quarter of 2014; they will replace the ESAPs and IESIA Guidance Notes produced in 2001.

The Integrated Safeguards System

Environmental and social sustainability is key to economic growth and poverty reduction in Africa. The Bank's Strategy for 2013-2022 emphasises the need to assist regional member countries in their efforts to achieve inclusive growth and transition to green growth. In addition, the Bank is committed to ensuring the social and environmental sustainability of the projects it supports. The ISS is designed to promote the sustainability of project outcomes by protecting the environment and people from the potentially adverse impacts of projects. The safeguards aim to:

- Avoid adverse impacts of projects on the environment and affected people, while maximising potential development benefits to the extent possible;
- Minimise, mitigate, and/or compensate for adverse impacts on the environment and affected people when avoidance is not possible; and
- Help borrowers/clients to strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

The Bank requires that borrowers/clients comply with these safeguards requirements during project preparation and implementation. The Integrated Safeguards Policy Statement sets out the basic tenets that guide and underpin the Bank's approach to environmental safeguards. In addition, the Bank has adopted five OSs, limiting their number to just what is required to achieve the goals and optimal functioning of the ISS:

- *Operational Safeguard 1: Environmental and social assessment.* This overarching safeguard governs the process of determining a project's environmental and social category and the resulting environmental and social assessment requirements.
- *Operational Safeguard 2: Involuntary resettlement: Land acquisition, population displacement and compensation*. This safeguard 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 the operational effectiveness of those requirements.
- *Operational Safeguard 3: Biodiversity and ecosystem services*. This safeguard aims to conserve biological diversity and promote the sustainable use of natural resources. It also translates the commitments in the Bank's policy on integrated water resources management into operational requirements.
- *Operational Safeguard 4: Pollution prevention and control, hazardous materials and resource efficiency.* This safeguard covers the range of key impacts of pollution, waste, and hazardous materials for which there are agreed international conventions, as well as comprehensive industry-specific and regional standards, including greenhouse gas accounting, that other multilateral development banks follow.
- *Operational Safeguard 5: Labour conditions, health and safety.* This safeguard establishes the Bank's requirements for its borrowers or clients concerning workers' conditions, rights and protection from abuse or exploitation. It also ensures greater harmonisation with most other multilateral development banks.

PART I
INTRODUCTION

A. Background

1. The African Development Bank (AfDB, or the Bank) adopted its Environmental Policy in 1990, a set of Environmental and Social Assessment Procedures (ESAPs) in 2001, the Involuntary Resettlement Policy in 2003 and a revised Policy on the Environment in 2004. These policies have provided the basis for the Bank's current environmental and social safeguards, which set out the requirements for an appropriate level of environmental and social assessment and management measures to mitigate project-related risks.

2. The Bank also has other cross-cutting and sector policies that contain commitments to promote environmental and social sustainability in Bank operations: policies on health (1996), integrated water resources management (2000), agriculture and rural development (2000),[2] gender (2001), co-operation with civil society organisations (2001), involuntary resettlement (2003), poverty reduction (2004), and the environment (2004), as well as the Civil Society Engagement Framework (2012). However, none of these policies provides specific safeguard requirements to mainstream environmental and social sustainability into the Bank's investments as conditions for Bank funding.

3. The Bank has developed an Integrated Safeguards System (ISS) to update its safeguards policies and consolidate them into a set of Operational Safeguards (OSs) supported by revised ESAPs and Integrated Environmental and Social Impact Assessment (IESIA) Guidance Notes. This document introduces the ISS and presents the Integrated Safeguards Policy Statement and OSs. The ISS supersedes the provisions in previous policies on environmental and social safeguards and compliance aspects.

B. Context

4. The ISS has been developed at a time when new strategic priorities have emerged, the Bank's Ten-Year Strategy has been adopted, and the multilateral financial institutions (MFIs) are increasingly harmonising their environmental and social safeguards.

B.1 Regional strategic priorities

5. Africa faces exciting opportunities as well as serious challenges. Over the past decade, the region has undergone an economic transformation. With average annual growth rates of around 5%, the continent is increasingly seen as an important future driver of the global economy. There are prospects for innovation in technology and industries, increased production and consumption, and higher levels of prosperity.

6. Yet several challenges impede sustained progress. Africa is still the poorest continent, with large portions of its population having inadequate access to goods and services—such as energy, clean water and sanitation—to meet basic human needs. Growth has been uneven across the continent and within many countries. While six of the ten fastest-growing economies are African,

[2] The policy was supplemented in 2010 by an agricultural sector strategy that was further revised in 2012 to enhance the Bank's contribution to agricultural productivity, food security and poverty reduction while ensuring the sustainability and resilience of agricultural infrastructure and protection of the natural resource base. This entails an increase in monitoring and audit, climate-proofing, use of renewable energy, and mitigation measures.

many countries on the continent continue to occupy some of the lowest ranks of the Human Development Index. Hence, promoting inclusive growth, which benefits all segments of society, remains an urgent priority if the recent development gains are to be sustained.

7. Ensuring that future growth is sustainable is becoming a daunting challenge, with worrying trends regarding pollution, waste, environmental degradation and climate change. Furthermore, population growth, food insecurity, rising rates of urbanisation, a huge infrastructure deficit and shifting consumption patterns all threaten future sustainability. Many of the development decisions taken today on infrastructure, energy systems, food production systems and education will have long-term consequences.

8. The prime objective of the ISS is to mainstream sound environmental and social management practices into all Bank operations to ensure that they are sustainable and that public and private sector clients are supported in meeting the requirements.

B.2 Alignment with the Bank's Strategy for 2013-2022

9. The Bank has recently adopted its Strategy for 2013-2022 to promote Africa's transformation through inclusive growth and transition to green growth. The ISS is aligned with and supports the key operational priorities of the strategy (Box 1).

BOX 1—Contribution of the ISS to the Bank's Strategy for 2013-2022

***Infrastructure development*.** The Bank is committed to investing in infrastructure that unlocks the growth and development potential of Africa. Infrastructure projects often come with substantial and sometimes irreversible environmental and social costs. The ISS helps to avoid or minimise these costs, helping to ensure that projects are sustainable and that beneficiaries receive the intended inclusive benefits.

***Regional integration*.** As problems in one country often affect neighboring countries, the ISS enables the Bank to support regional projects that will sustain Africa's transition to green growth through better environment and resources management, including by protecting fauna, flora, fresh water, and cultural heritage. Under the ISS, these large regional projects are also subject to strategic environmental and social assessments to address adverse cumulative effects.

***Private sector development*.** To foster more inclusive growth, the ISS seeks to enhance the capacities of the private sector to mainstream environmental and social sustainability into their projects to ensure that project-affected populations participate in and derive sustained economic benefits from projects in their communities.

***Governance and accountability*.** Previously, policy-based loans were not subjected to appropriate environmental and social due diligence, and loopholes excluded certain segments of the population from benefiting from the loans. With the ISS, all policy-based loans are subject to due diligence to build in environmental and social sustainability and strengthen environmental governance.

***Skills and technology*.** Through the ISS, the Bank will strengthen individual and institutional capacities in regional member countries to design and implement sustainable projects, including the development of skills to address contemporary issues such as climate change.

B.3 Harmonisation of environmental and social safeguards

10. Development of the ISS has taken place in the context of the MFIs' continued harmonisation and upgrading of their environmental and social best practices. Following the Paris Declaration on Aid Effectiveness in 2005, there has been greater impetus for development agencies to harmonise environmental and social safeguards. The MFI Working Group on the Environment (MFI-WGE) published a Common Framework for Environmental Assessment in 2005 to encourage greater harmonisation of environmental and social safeguards among its members. This is highly significant for Bank co-financing with other MFIs.

11. In the past few years, almost all the MFIs have embarked on or have completed major revisions and upgrading of their environmental and social policies and their safeguard requirements and standards.[3] This process has resulted in greater compatibility in coverage, requirements and procedures among these institutions' environmental and social safeguards. The multilateral development banks' safeguards include the following key common features:

- An overarching safeguard that sets out the requirements for borrowers to undertake the appropriate type and level of environmental and social assessment of operations to be financed by the institution, using a system of project categorisation;
- A set of supplementary safeguards addressing specific environmental and social risks, setting out the institution'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
- Greater consistency in the risk areas covered by the safeguards.

TABLE 1: Key areas of operational safeguards among multilateral development banks

Area	WB	IFC	EBRD	EIB	IADB	AsDB	AfDB[a]	MFI-WGE[b]
Environmental and social assessment (ESA)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Involuntary resettlement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pollution prevention	Yes	Yes	Yes	Yes	Yes	(in ESA)	Yes	Yes
Biodiversity	Yes[c]	Yes	Yes	Yes	Yes	(in ESA)	Yes	Yes[d]
Community impacts	No	Yes	Yes	Yes	No	(in ESA)	(in ESA)	Yes
Labour conditions	No	Yes	Yes	Yes	No	(in ESA)	Yes	Yes
Indigenous peoples	Yes	Yes	Yes	Yes	Yes	Yes	(in ESA)	Yes
Cultural heritage	Yes	Yes	Yes	Yes	Yes	(in ESA)	(in ESA)	No[e]
Environmental flows	Yes[f]	No	No	No	No	No	(In Biod.)	Yes

Notes:
[a] As proposed in the ISS.
[b] As contained in the Common Framework for Environmental and Social Assessment.
[c] World Bank has safeguards on natural habitats and forests.
[d] Split into pollution and toxic and hazardous substances.
[e] Proposes safeguard on vulnerable groups, which includes indigenous peoples.
[f] Safeguard is on water resource management.

C. Current Bank policies and safeguards

12. The Bank's commitment to improving environmental and social sustainability in its investments is reflected in the several related policies and tools it has adopted and the changes in its institutional set-up to ensure effective implementation of these policies and tools (see Figure 1).

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[3] The IFC adopted its Performance Standards on Environmental and Social Sustainability in 2006 and revised them in 2011. Since 2006, the IADB, EBRD, EIB and AsDB have all upgraded their safeguard systems, and the World Bank and the Islamic Development Bank are now upgrading theirs. In addition, major private banks providing international project finance and bilateral development finance institutions (such as the Dutch FMO or German DEG), with which the Bank often co-finances projects, have adopted the Equator Principles, which are based on the IFC's Performance Standards on Environmental and Social Sustainability.

13. The 2004 Policy on the Environment established the Bank's commitment to integrating environmental considerations into its operations through (i) systematic project categorisation according to the level of environmental risk, and (ii) the application of appropriate types of environmental assessments, with commitments to public consultation and information disclosure. The 2003 Involuntary Resettlement Policy provided a detailed and rigorous set of commitments and requirements related to Bank projects involving population displacement, relocation, compensation and restoration of living standards.

14. An analysis of the Bank's experience in applying these policies highlighted the following problems: (i) high transaction costs within the Bank and among its clients, attributable to the time and effort required to consider diverse sources of policy; (ii) important issues did not receive their due attention because of uneven coverage and assigned weight in different policies; (iii) hindrances in implementation caused by conflicting priorities and potential conflicts between policies; and (iv) difficulties in monitoring the compliance of borrowers and of the Bank itself.

15. The Bank's ESAPs, produced in 2001 to make the Bank's sector and cross-cutting polices operational, have governed the implementation of the environmental and social safeguards over the past decade. However, the implementation of the ESAPs has revealed a number of inconsistencies and weaknesses:

- Project documents tend not to contain the technical information necessary to categorise projects at the appropriate stage in the project cycle;
- It has proved difficult to categorise policy-based and programme lending and integrate social considerations into them;
- 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 even when appropriate environmental and social due diligence has not been carried out;
- Some aspects of the ESAPs, including the specific steps required and associated roles and responsibilities, are difficult to understand and follow; and
- The ESAPs do not cover all of the forms of lending that the Bank currently engages in, including lending to the private sector.

16. In late 2010, the Bank issued a Concept Note, "Towards an Integrated Safeguards System," signalling its intent to develop a coherent and integrated policy commitment. It also issued a set of safeguard requirements on environmental and social sustainability backed by improved procedures and guidance materials.

D. Key safeguard policy challenges

17. In developing the new ISS, the Bank has taken into account the changed context of its operations, the current state of its environmental and social safeguards and the increased harmonisation and sharing of best practice among the MFIs. Much of the work has focused on addressing key safeguard challenges.

18. *Improving policy coherence*. The ISS brings together a range of environmental and social policy commitments into one coherent framework that addresses the Bank's conditions for financial support. In particular, the commitments to a systematic environmental assessment process from the Policy on the Environment and on managing resettlement and compensation issues from the Involuntary Resettlement Policy are combined to form the core of an integrated environmental and social safeguards approach. The inclusion of a number of important social issues, such as community impact and more systematic consultation, contributes further to overall policy coherence. The ISS also takes into account other Bank policy commitments that had not been expressed in terms of safeguard requirements.

19. *Greater clarity on scope, requirements and responsibilities*. The ISS clearly sets out its

requirements for the environmental and social assessment of operations and the appropriate levels of environmental and social management. It also establishes who is responsible for the actions and decisions needed at different stages in the project cycle to implement the ISS. Important elements of the ISS are its application to all Bank operations in both public and private sectors, its clear definition of the project categorisation process, and its enumeration of how projects can trigger specific policy requirements to avoid or manage adverse impacts.

20. *Changing pattern of Bank operations.* For the Bank, as for other similar institutions, the majority of operations have shifted away from single public sector project investments, for which traditional environmental and social impact assessments are best suited, towards increased programme-based lending providing budget support, more lending for regional or sector investment programmes managed by the client or borrower, and more private sector lending, especially through financial intermediaries and corporate loans. The ISS is designed to be relevant to this changing profile of Bank operations.

- Taking into account MFIs' best practice in these areas, the ISS makes it mandatory to apply Strategic Environmental and Social Assessment (SESA) to address the environmental and social issues arising from "upstream" operations, such as budget support and investment programmes managed by the client. It also makes it mandatory for clients implementing regional or sectorwide programmes to develop Environmental and Social Management Frameworks (ESMFs) for identifying, appraising, and financing individual investments under the programme.
- The challenge of managing the environmental and social risks associated with lending through financial intermediaries is well recognised among MFIs. The ISS focuses the safeguard requirement on the capacity and commitment of the client financial intermediary to adopt and implement an effective Environmental and Social Management System appropriate to the nature and scale of its operations.

21. *Needs of different Bank clients.* The ISS acknowledges the changing profile of Bank clients—especially the diverse range of private sector clients. Private sector clients typically engage with the Bank later in the project cycle than traditional public sector clients. This has implications for the systematic implementation of the ISS, which is linked to key steps in the project cycle. The ISS requirement is adjusted to accommodate these situations. Public sector clients tend to have more relevance to the "country systems" approach that the ISS supports. One of the strategic objectives of the ISS is to help strengthen the "country systems"—the country's own policies, procedures and institutional mechanisms—for applying environmental and social safeguards.

22. *Emerging issues.* The ISS has also incorporated several emerging issues, such as project-related issues on cultural heritage, climate change, biodiversity and ecosystem services, and labour conditions.

23. Involuntary resettlement, although not strictly an emerging issue, remains a major challenge to the effective implementation of the Bank's environmental and social safeguard systems. The ISS has further clarified and translated the Bank's policy on involuntary resettlement into an OS, clearly establishing the Bank's requirements and setting out the contents of a Resettlement Action Plan.

24. The ISS recognises the challenge to development efforts brought about by climate variability and change, as development interventions interact with the physical and ecological environment. The ISS requires that Bank-sponsored projects be screened and categorised according to their vulnerability to the risks of climate change. The Bank's new screening tool for climate change risk will support the ISS in addressing vulnerability to climate change and building adaptation measures into Bank operations.

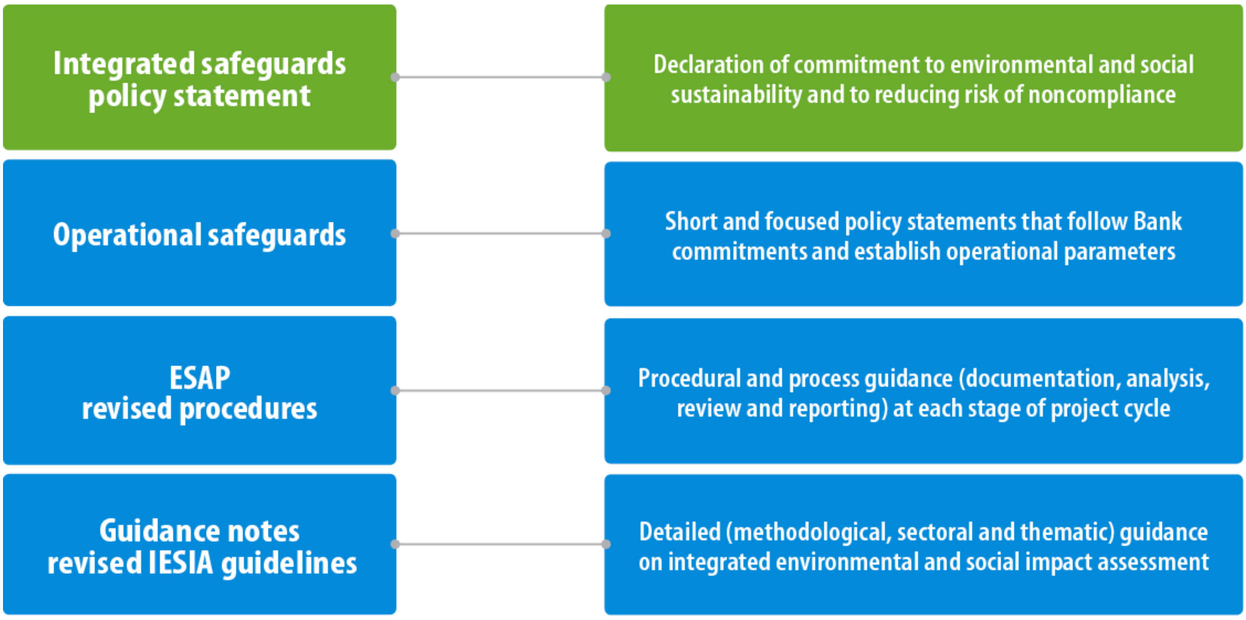
25. *Group vulnerability*. The Bank is committed to protecting vulnerable groups that are affected by Bank projects. The Integrated Safeguards Policy Statement provides a definition of vulnerable groups and requires that the effects of the Bank's operations on vulnerable groups be determined, and their interest in and opportunity to benefit from the Bank's operations be protected.

26. *Enhanced public consultation*. Meaningful consultation and participation in the context of safeguards is vital. In line with MFIs' best practice, the ISS sets out clear requirements for greater public consultation among and participation by communities and local stakeholders that are likely to be affected by the Bank's operations. Consultation must meet the requirements of being "free, prior and informed" and of achieving broad community support, especially in high-risk projects or projects affecting vulnerable groups. In particular, the ISS makes it clear how consultations should be integrated into specific steps in the assessment process, such as developing draft terms of reference for an environmental and social assessment, draft reports of SESAs or Environmental and Social Impact Assessments (ESIAs), and draft Environmental and Social Management Plans for Category 1 projects.

E. ISS structure and summary

27. The ISS consists of an Integrated Safeguards Policy Statement, Operational Safeguards (OSs), a revised set of Environmental and Social Assessment Procedures (ESAPs) and) Integrated Environmental and Social Impacts Assessment (IESIA) Guidance Notes (see Figure 2).

FIGURE 1: Structure of the Integrated Safeguards System



28. This document presents the Integrated Safeguards Policy Statement and the OSs. Since the ESAPs and the IESIA Guidance Notes provide guidance on the implementation of the OSs, they will be developed when the Bank's Board of Directors has approved the Policy Statement and the OSs.

E.1 Integrated Safeguards Policy Statement

29. The Bank's Integrated Safeguards Policy Statement sets out the Bank's own commitments to and responsibilities for delivering the ISS: to (i) ensure the systematic assessment of environmental and social impacts and risks; (ii) apply the OSs to the entire portfolio of Bank operations; (iii) support clients and countries with technical guidance and practical support in meeting the requirements; (iv) implement an adaptive and proportionate approach to environmental and social management measures to be agreed with clients as a condition of project financing; (v) ensure that clients engage in meaningful consultations with affected groups; and (vi) respect and promote the protection of vulnerable groups, in a manner appropriate to the African context.

30. The Policy Statement also sets out the Bank's commitment to harmonise environmental and social safeguards among MFIs and to co-ordinate with co-financing partners. It highlights the importance of compliance monitoring and supervision to ensure that the safeguards are implemented. Finally, it includes a list of goods harmful to the environment for which Bank-

provided funds may not be used in either public or private investments.

E.2 Operational Safeguards

31. The Bank selected the OSs for inclusion in the ISS on the basis of the following considerations:

- Commitments in the Bank's existing policies;
- Relevance to key environmental and social issues in the region;
- Lessons learned from applying the environmental and social policies/procedures in the Bank;
- Harmonisation with other multilateral development banks and alignment with relevant international conventions and standards;
- Outcomes of stakeholder consultations; and
- Limiting the number of OSs to just what is required to achieve the optimal functioning of the ISS.

32. The OSs are intended to:

- Better integrate considerations of environmental and social impacts into Bank operations to promote sustainability and long-term development in Africa;
- Prevent projects from adversely affecting the environment and local communities or, where prevention is not possible, minimise, mitigate and/or compensate for adverse effects and maximise development benefits;
- 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
- Assist regional member countries and borrowers/clients in strengthening their own safeguards systems and their capacity to manage environmental and social risks.

The OSs are summarised below, and their full text is presented in Part III.

33. *OS 1: Environmental and Social Assessment*. This overarching safeguard governs the process of determining a project's environmental and social category and the resulting environmental and social assessment requirements: the scope of application; categorisation; use of a SESA and ESIA, where appropriate; Environmental and Social Management Plans; climate change vulnerability assessment; public consultation; community impacts; appraisal and treatment of vulnerable groups; and grievance procedures. It updates and consolidates the policy commitments set out in the Bank's policy on the environment.

34. *OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation*. This safeguard consolidates the policy commitments and requirements set out in the Bank's policy on involuntary resettlement, and it incorporates refinements designed to improve the operational effectiveness of those requirements. In particular, it embraces comprehensive and forward-looking notions of livelihood and assets, accounting for their social, cultural, and economic dimensions. It also adopts a definition of community and common property that emphasises the need to maintain social cohesion, community structures, and the social interlinkages that common property provides.

35. The safeguard retains the requirement to provide compensation at full replacement cost; reiterates the importance of a resettlement that improves standards of living, income-earning capacity, and overall means of livelihood; and emphasises the need to ensure that social

considerations, such as gender, age, and stakes in the project outcome, do not disenfranchise particular project-affected people.

36. OS 3: Biodiversity and Ecosystem Services. The overarching objective of this safeguard is to conserve biological diversity and promote the sustainable use of natural resources. It translates into OS requirements the Bank's commitments in its policy on integrated water resources management and the UN Convention on Biological Diversity. The safeguard reflects the importance of biodiversity on the African continent and the value of key ecosystems to the population, emphasising the need to "respect, conserve and maintain [the] knowledge, innovations and practices of indigenous and local communities… [and] to protect and encourage customary use of biological resources in accordance with traditional cultural practices that are compatible with conservation or sustainable use requirements.[4]

37. *OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency*. This safeguard covers the range of impacts of pollution, waste, and hazardous materials for which there are agreed international conventions and comprehensive industry-specific standards that other multilateral development banks follow. It also introduces vulnerability analysis and monitoring of greenhouse gas emissions levels and provides a detailed analysis of the possible reduction or compensatory measures framework.

38. *OS 5: Labour Conditions, Health and Safety*. This safeguard establishes the Bank's requirements for its borrowers or clients concerning workers' conditions, rights and protection from abuse or exploitation. It covers working conditions, workers' organisations, occupational health and safety, and avoidance of child or forced labour.

E.3 Environmental and Social Assessment Procedures

39. The ESAPs provide information on 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.

40. The revised ESAPs will help improve project outcomes by replacing outdated environmental and social assessment procedures with upgraded processes based on cutting-edge knowledge and best practice. The revision of the ESAPs will include the following:

- Amending and updating the current ESAPs to align with the provisions of the OSs;
- Providing a detailed and clear description of the steps needed to implement the OSs at every stage of the project cycle, indicating who is responsible for each step;
- Ensuring the coverage of both public and private sector lending, with specific provisions designed to fit the different circumstances applicable to private sector projects;
- Addressing various key stages in the project cycle where compliance has been weak, and introducing procedures to strengthen implementation;
- Introducing an Integrated Safeguards Tracking System (ISTS), to facilitate the tracking of ISS compliance through the project cycle and to ensure compliance before proceeding to the next stage of the project cycle; and
- Providing procedural guidance and user-friendly templates to facilitate the implementation of the steps proposed in the ESAPs during the project cycle.

41. The revised ESAPs will be designed to address the following types of challenges in implementing the ISS:

[4] UN Convention on Biological Diversity (1992).

- Adopting one set of ESAPs for both public and private sector lending, with different project processing cycles;
- Designing procedures to cover the lending and investment plans for policy- and programme-based lending operations, which will now be subject to categorisation, and the requirement to use SESA for such operations that are categorised as 1 or 2;
- Ensuring borrowers' effective implementation of Environmental and Social Management Frameworks for regional and sectoral investments, and financial intermediaries' use of Environmental and Social Management Systems;
- Improving the timely compliance of all Bank operations with the requirement to categorise all projects; and
- Building a well-resourced and appropriate institutional structure and capacity to improve the level of supervision and implementation of Environmental and Social Management Plans and ensure effective implementation of the ISS.

E.4 Integrated Environmental and Social Impact Assessment Guidance Notes

42. IESIA Guidance Notes provide technical guidance for the Bank and its borrowers on specific methodological approaches or standards and management measures relevant to meeting the requirements of the OSs. The Bank's current IESIA Guidelines, produced in 2003, contain generic guidance on environmental and social impact assessments and specific guidance on environmental and social issues for nine different sectors for the Bank and its clients. The revised guidance notes will support the implementation of the ISS and provide the material for a training and capacity-development programme for Bank and regional member country personnel. The guidance notes will consist of three parts:

- General guidance on ESIA, in response to the requirements set out in OS1;
- Topic-specific guidance, relevant to specific themes and requirements covered in the OSs; and
- Sector-specific guidance, in the form of brief keysheets.

The guidance notes will include key documents and standard forms that describe roles and responsibilities, the flow of documents and information, and other factors in implementing the OSs.

PART II
INTEGRATED SAFEGUARDS POLICY STATEMENT

A. Background and context

1. The African Development Bank (AfDB or the Bank) is committed to making growth inclusive by broadening access to economic opportunities for more people, countries and regions, while protecting the most vulnerable. The Bank further recognises that human well-being in Africa depends on the quality of the environment and the sustainable use of natural resources. This is why it strives to ensure that Bank operations have no unintended adverse direct or indirect environmental or social impact on communities.

2. Recognising the relevance of safeguards to achieving sustainability in both public and private sector projects, during regional consultations stakeholders have called on the Bank to:

- Balance the trade-offs between short-term profits and long-term development and environmental sustainability in financing projects;
- Strengthen regional member countries' (RMCs') institutional frameworks and governance to underpin environmental and social sustainability;
- Strengthen the Bank's compliance functions and units to ensure that mandatory and special environmental and social compliance monitoring and audit missions are fully implemented when the Integrated Safeguards System (ISS) is rolled out;
- Mobilise more financial resources to ensure the environmental and social sustainability of its investments and increase access to funding for civil society groups, as reliable and independent third parties, to support supervision and monitoring of projects;
- Participate with borrowers in supervising and monitoring compliance with environmental and social policies during project implementation; and
- Strengthen the capacity of RMCs' country systems to implement the Bank's environmental and social requirements.

3. This policy statement draws from applicable safeguards and other relevant cross-cutting and sectoral policies of the Bank. It aims to establish the objectives and scope of the ISS.

B. Commitments and responsibilities

4. *Systematic assessment of impacts and risks.* The Bank is committed to ensuring that its public and private sector operations comply with the Operational Safeguards (OSs) by assessing environmental, climate change and social risks and impacts as early as possible in the project cycle, and providing effective audit, monitoring and supervision of agreed environmental and social management measures during implementation. If the Bank finds that the environmental or social impacts of any of its investments are not likely to be adequately addressed, the Bank may choose not to proceed with the investment.

5. *Application of safeguards to the entire portfolio.* The Bank recognises the need to apply the appropriate type and level of environmental and social assessment to its range of operations. In addition to the Environmental and Social Impact Assessment (ESIA) for investment projects, the Bank applies Strategic Environmental and Social Assessment (SESA) for its own regional, country and sector strategies and for its programme-based lending operations when there are high levels of environmental and social risk.

6. *Support to clients and countries.* The Bank recognises that RMCs are very diverse in their capacity to sustainably manage investment-related environmental and social issues from the institutional, policy and regulatory perspectives. The Bank supports RMCs' efforts to improve and

align their country safeguards systems and policies with international good practice as reflected in the ISS. It is committed to providing its borrowers or clients with high-quality technical guidance and practical support to carry out the necessary analytical and procedural steps required under its OSs, including the appropriate level of environmental and social assessment. At the same time, the Bank expects the borrower or client to comply with national laws.

7. *Proportionality and adaptive management*. The Bank takes a proportionate and adaptive approach to the Environmental and Social Management Plans (ESMPs) that it may agree upon with borrowers/clients as a condition for project financing: the agreed management measures should be proportionate to the level of environmental and social risk, and should be flexible enough to be adapted to changing circumstances during project implementation. To adequately use and apply this principle, the Bank engages with the borrower or client as needed during project preparation to support successful implementation and compliance. The Bank gives particular attention to key decisions—for example, scope of assessment, categorisation, habitat designation—and to areas in which the borrower or client may need assistance or the issues are inherently complex.

8. *Transparency, good governance and inclusivity*. The Bank is committed to ensuring that throughout the environmental and social assessment process, the borrower or client engages in meaningful and transparent consultation with affected communities, particularly with vulnerable groups, to ensure that they can participate in a free, prior and informed[5] manner in decisions about avoiding or managing environmental or social impacts. The Bank has also mainstreamed the Extractive Industries Transparency Initiative (EITI) in its own sector operations since 2006 and has supported RMCs' participation in the EITI process to ensure sound extractive industry practices and sustainable development. The Bank will continue to catalyse multiple stakeholder engagement in the EITI process, using the Bank-hosted Africa Legal Support Facility to provide legal assistance to RMCs to negotiate complex extractive resource contracts.

9. *Protecting the most vulnerable*. As an integral part of its Strategy (2013-2022), the Bank is committed, to protecting Africa's most vulnerable people and providing them with opportunities to benefit from Bank operations. Of special concern to the Bank are groups whose lives and livelihoods are, or are likely to be, adversely affected by a project financed by the Bank[6] and who have less capacity than others to adapt to the new economic or social circumstances brought about by the project (Box 2). Depending on the specific context of the project, vulnerable groups might include, for example, landless people; people without legal title to assets; ethnic, religious or linguistic minorities; some categories of children (orphans, homeless); marginalised social groups and people who are sometimes referred to as indigenous peoples.

10. Where groups are identified as vulnerable, the borrower or client implements 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, and health care facilities (see OS1, Section C5).

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[5] *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:* advance provision of relevant, understandable and accessible information, in the appropriate language.

[6] The Bank's approach to the handling of issues regarding people adversely affected by its financed projects is articulated in the Operating Rules and Procedures of the Bank's Independent Review Mechanism.

BOX 2— Vulnerable groups and indigenous peoples

> Vulnerable groups are identified in the context of an economic and social analysis of the impact of the project.
>
> The project ESIA identifies interventions to improve a project environmentally and socially and thereby enhance its benefits and (in order of priority) prevent, minimise, mitigate, or compensate for adverse impacts. The ESIA process ensures the distribution of benefits and opportunities among affected persons or groups through differentiated measures specially designed to cater to their needs. These differentiated measures are incorporated into the relevant impact mitigation instruments—the ESMP and Resettlement Action Plan and/or Community Development Plan. In the ESIA process, the Bank develops and uses criteria for screening the projects it finances for negative impacts and for identifying those that are adversely affected—including, when relevant, indigenous peoples.
>
> The Bank will strengthen the dialogue initiated with continental institutions during the forum on Indigenous People in Development it organised in February 2013 to explore opportunities to increase knowledge and understanding of what is an indigenous peoples group in Africa and how to better support the inclusion and economic development of such groups.

11. *Promoting gender equality and poverty reduction*. The Bank recognises that poverty, ecological degradation and gender inequalities are often strongly interrelated. This is why the Bank pays special attention to reducing gender inequality and poverty by carrying out an assessment of gender issues for every project. It uses the findings as the basis for project design and compensation plans that lead to enhanced gender balance (see OS1, Section C5).

12. *Harmonisation and facilitation of donor co-ordination.* The Bank is committed to maximising efficiency and minimising costs for its borrowers and clients in complying with environmental and social safeguards. Accordingly, the Bank supports harmonising the implementation of the safeguards in the context of co-financing. When the Bank participates in operations led by other development finance institutions or other financial partners, the borrower or client performs supplementary due diligence as necessary to comply with the ISS requirements. When the Bank leads the operation, it supports the borrower by facilitating the necessary co-ordination to reduce transaction costs.

13. *Compliance monitoring and supervision of safeguards*. The Bank recognises the importance of working in close co-operation with its borrowers and clients in implementing the OSs, with the aim of strengthening the capacity of country systems to manage the environmental and social assessment process. The Bank monitors implementation through quarterly reports by borrowers and clients and during its own supervision missions, using the proportionality and adaptive management principles to differentiate projects on the basis of the nature and category of the risks. For projects presenting high environmental and social risks, the Bank may, at its own discretion, perform compliance audits. The Bank's Compliance and Safeguards Division[7] monitors the environmental and social performance of Bank's projects in consultation with borrowers and/or clients. For complex projects or when conflicts with host communities arise, the Bank makes use of independent third parties—independent environmental and social advisers, consultants, monitors and auditors—to monitor compliance. The Bank ensures that the reports of these monitoring exercises are publicly available to all parties in line with the Bank's Disclosure and Access to Information policy. From the deliberations and recommendations on such reports, the Bank's sector department prepares, and agrees with the client on, an implementable action plan, with measurable indicators. The Bank's efforts to strengthen the capacity of country systems do not alter the role and function of the Bank's accountability mechanisms.

[7] The Compliance and Safeguards Division (ORQR3) is currently tasked with this function. In case of any internal reorganisation in the Bank, this provision will refer to the new division or unit that will be tasked with monitoring and enforcing compliance with the Bank's environmental and social safeguards policies.

14. *The Bank's grievance and redress mechanism*. The grievance and redress system at the Bank comprises five elements: (i) policies and procedures established by the Bank on addressing requests for dispute resolution in the environmental and social context; (ii) public access to the process through the Bank country office or through the Compliance Review and Mediation Unit (CRMU); (iii) country-level responsibility for receiving and responding to requests for redress; (iv) the CRMU, which provides a corporate window for receiving requests for dispute resolution and mediation process; and (v) tracking and monitoring grievances and their resolutions. Although the Bank addresses grievances primarily at the country level, it has an interest in ensuring that these processes are responsive, treat claimants fairly, and operate effectively.

15. *Country-level grievance and redress mechanism*. The Bank ensures that clients establish credible and independent local grievance and redress mechanisms to help resolve affected people's grievances and concerns regarding the environmental and social impacts of the project.

16. *Independent Review Mechanism*. The mandate of the Bank's Independent Review Mechanism (IRM) is to provide people who are, or are likely to be, adversely affected by a project financed by the Bank Group as a result of violation of the Bank Group's policies and procedures with an avenue to request the Bank to comply with its own policies and procedures. The requestors first seek to resolve their complaints with Bank Management; but if in their opinion, Bank Management has not adequately handled their complaints, they may submit their requests to IRM. The IRM comprises two separate, but related, phases: (i) a grievance or problem-solving phase, led by the CRMU reporting directly to the Bank President, to assist project-affected people in finding solutions to their problems; and (ii) a compliance review phase, led by a three-member panel drawn from the IRM roster of experts.

17. *Approach to compliance*. The ISS is closely tied to the Bank's business processes and products through compliance checkpoints that generate key safeguard information[8] that can be integrated into project documentation and used in requests and clearance processes. It is the superseding reference for all matters directly linked to safeguards and compliance, and for the management of environmental and social risks associated with operations and programme activities.

C. Definition of goods harmful to the environment in negative list

18. The Revised Policy on Expenditures Eligible for Bank Group Financing (May 2008) includes a Negative List[9] that bans public and private investment in goods that are "harmful to the environment" without explicitly defining what this means. On the basis of international best practice,[10] and with particular reference to criteria provided in the various OSs, the Bank defines the following as harmful to the physical and social environment, and excludes them—in addition to the items explicitly mentioned in the Negative List—from its operations for both the public and private sectors:

- Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- Production of or trade in radioactive materials, with the exception of medical materials and quality-control equipment for which the radioactive source is trivial and adequately shielded;

[8] Environmental and Social Compliance Note is provided as a template in the ESAPs.

[9] The Negative List includes the following items: alcoholic beverages, tobacco, radioactive materials, platinum, pearls, precious stones, gold and related products, nuclear reactors and related products, weapons, ammunition and other goods used for military and/or paramilitary purposes, luxury consumer goods, and goods harmful to the environment.

[10] Particularly with reference to the IFC exclusion list.

- Production of or trade in or use of unbonded asbestos fibres or other products with bonded asbestos as dominant material;
- Production of or trade in pharmaceuticals, chemical compounds and other harmful substances subject to international phase-outs or bans, including pesticides classified as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous);
- Production of or trade in ozone-depleting substances subject to international phase-out;
- Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- Purchase of logging equipment for use in unmanaged primary tropical rainforests; and
- Production and activities involving harmful or exploitative forms of forced labour and/or child labour as defined by national regulations.

D. Incorporating climate change into development efforts

19. Climate variability and change has emerged as a major challenge to development efforts, with a high risk that it could undermine past and complicate ongoing development efforts, increase social problems, and threaten environmental sustainability. The interaction of development interventions with the physical and ecological environment may result in such unintended consequences as loss or degradation of natural and cultural resources and assets and biodiversity; unsustainable production and consumption, in particular, of energy; and increased vulnerability to climate change and climate variability. Therefore, the Bank requires an assessment of vulnerability to climate change as part of the environmental and social assessment process for its public and private sector operations; any mitigating measures that result from that assessment are included in the operation with measures that result from the larger environmental and social assessment itself.

PART III
OPERATIONAL SAFEGUARDS

The Bank has adopted a series of five Operational Safeguards:

- OS1 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 support the implementation of OS1 and 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 certain risks.

OPERATIONAL SAFEGUARD 1
ENVIRONMENTAL AND SOCIAL ASSESSMENT

A. Objectives

1. The objective of this overarching Operational Safeguard (OS), along with the 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 and risks—including those related to gender, climate change and vulnerability—of Bank lending and grant-financed operations in their areas of influence;
- Avoid or, if avoidance is not possible, minimise, mitigate and compensate for adverse impacts on the environment and on affected communities;
- Provide for stakeholders' participation during the consultation process so 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;
- Ensure the effective management of environmental and social risks in projects during and after implementation; and
- Contribute to strengthening regional member country (RMC) systems for environmental and social risk management by assessing and building their capacity to meet AfDB requirements set out in the Integrated Safeguards System (ISS).

B. Scope of application

3. This OS applies to all Bank public and private sector lending operations—including programme-based operations, programme lending that leads to individual subprojects, and lending to financial intermediaries—and project activities funded through other financial instruments managed by the Bank, except for short-term emergency relief, which is specifically exempted.

4. Environmental and social assessment work carried out under this OS determines whether the operations involve activities or components that pose any specific risks covered by OSs 2-5 and,

therefore, whether those requirements need to be met. The Bank reviews and discloses all documentation related to the impact assessment before presenting a project to the Board.

C. OS requirements

C.1 Country and regional level

5. The Bank, in partnership with RMCs, applies appropriate and relevant environmental and social assessment tools to mainstream environmental and social considerations into CSPs and RISPs.

C.2 Project level

6. Borrowers or clients are responsible for conducting the environmental and social assessment (Strategic Environmental and Social Assessment, or SESA, or Environmental and Social Impact Assessment, or ESIA) and for developing, as an integral part of project documentation, an appropriate plan for managing possible impacts. The Bank's environmental and social staff in operations support the due diligence process and ensure that borrowers and clients are fully aware of Bank policies and procedures, while the Bank's Compliance and Safeguards function ensures that deliverables and the compliance process are properly conducted to ensure good quality.

7. *Screening***.** Working with Bank operations staff, the borrower or client screens the project for environmental and social impacts—including climate change impacts, potential adaptation and mitigation measures, and the vulnerability of populations and their livelihoods—to determine the specific type and level of environmental and social assessment. The screening is carried out in accordance with the Bank's Environmental and Social Assessment Procedures (ESAPs).

8. *Scope*. Environmental and social assessment includes the project's area of influence (both upstream and downstream), a comprehensive scoping of the project's components, consideration of alternatives, and assessment of cumulative impacts, where relevant.

9. *Area of influence*. The project's geographic and temporal area of influence is delineated and explicitly covered in any impact assessment. The area of influence encompasses the following, as appropriate:

- The area likely to be directly affected by the project;
- Related or associated facilities[1] 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
- Areas, including the communities within them, potentially affected by unplanned but technically predictable activities likely to be induced by the project.

10. *Project stages*. The assessment covers all stages of the project, from construction and operation through to closure/decommissioning. When appropriate, arrangements for closure and decommissioning are described, and provision is made for appropriate resources and budget to carry out detailed closure planning at an appropriate period (usually around 3-5 years) before the close of operations.

11. *Project scoping*. Scoping of a project considers the size, processes, site design, construction and expansion sequencing and any new infrastructure for transportation, energy, communications and public health, including drinking water; wastewater collection, treatment and disposal; waste management; raw materials used; sources and means of access; releases to the environment; and any plans for pollution control and minimisation.

[1] In some cases, associated facilities may be subject to other funding institutions' environmental and social safeguard policies that are equivalent to the Bank's OSs.

12. During the scoping phase, the assessment determines the range of likely potential risks and impacts and also determines whether specific requirements of the Bank's OSs apply. The assessment covers, in an integrated way, all relevant direct and indirect environmental and social risks and impacts, including those specifically covered in OSs 2-5. Potential impacts include physical (e.g., geology and soils, surface and groundwater resources, air resources and climate, noise and vibration, prominent vista and aesthetic features), biological (e.g., flora, resident and migratory fauna, ecosystems, endangered and threatened species and their habitats and protected areas, poaching), socioeconomic and cultural (e.g., livelihood, resettlement, community social structure, gender, vulnerable groups, health, safety, cultural property, ecosystem services), and transboundary and global impacts, including greenhouse gas emissions and vulnerability to climate change effects. It discusses potential adaptation and mitigation measures.

13. Where relevant, the assessment also covers possible cumulative impacts: impacts on areas and resources that result from the proposed project in addition to impacts from other existing or planned developments, including from any associated facilities, regardless of which entity undertakes those actions. Cumulative impacts can result from individually minor but collectively significant actions that take place over a period of time.

14. *Mitigation hierarchy*. In line with any relevant requirements in the Bank's OSs, the assessment considers real alternatives to the project's location and/or design to avoid adverse impacts. It applies the mitigation hierarchy: if avoidance is not possible, reduce and minimise potential adverse impacts; if reduction or minimisation is not sufficient, mitigate and/or restore; and as a last resort compensate for and offset.

15. *Local legislation and country systems.* To the extent possible, the assessment complies with the relevant legislation and standards applicable in the local jurisdiction, bearing in mind the equivalence of standards with those of the Bank, and it takes into consideration national- or regional-level programming documents (i.e., CSP or RISP) that are under implementation or in preparation. In considering whether another institution's assessment fulfils the Bank's requirements, the Bank first assesses if the other institution's requirements are equivalent to AfDB's, and it accepts another institution's assessment only if its standards are equivalent or if supplemental due diligence is done to meet AfDB requirements.

16. *Country systems.* 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 labour standards. To achieve this objective, the borrower or client should conduct the assessment and the preparation of an Environmental and Social Management Plan (ESMP) in a manner that complies with existing country systems for assessing and managing environmental risk, as well as with the AfDB's requirements. The Bank takes this experience into consideration in developing its assistance to RMCs for assessing and strengthening the capacity of country systems.

17. *Environmental and social assessment.* The assessment is 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—as identified during categorisation and scoping—and the management measures adopted should be capable of being adapted to changing circumstances during the full project cycle.

18. As needed, the assessment leads to the development of a comprehensive and implementable ESMP with a realistic timeframe, incorporating the necessary organisational capacity (including further training requirements) and financial resources to address and manage the environmental and social risks that may occur during the full project cycle.

19. When a project component or exact location remains uncertain, an ESMP cannot be developed, but an Environmental and Social Management Framework (ESMF)[2] is developed to guide the identification, preparation, and appraisal of components and activities.

20. The screening and categorisation required for programme-based operations—mainly budget support or other lending for regional or sectoral programs—can trigger the preparation of a SESA if there is a significant environmental and social risk. In such a case, the borrower designs and implements an ESMF to manage the environmental and social risks of subprojects in compliance with the Bank's safeguards.

21. The environmental and social assessment covers all relevant direct and indirect cumulative and associated facility impacts identified during the scoping phase, including any specifically covered in OSs 2-5, for which there are specific requirements:

- 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: Labour Conditions, Health and Safety

C.3 Categorisation

22. Categorisation follows the principle of using the appropriate type and level of environmental and social assessment for the type of operation. Working with Bank operations staff, the borrower proposes a category, providing sufficient supporting documentation and baseline data to allow the Bank's Compliance and Safeguards function to review and validate the proposed category. The responsibility of appropriate categorisation is therefore shared by the Bank and its borrowers and should be based on reasonably accurate due diligence material.

23. *Category 1: Bank operations likely to cause significant environmental and social impacts.* Category 1 projects are likely to induce significant and/or irreversible adverse environmental and/or social impacts, or to significantly affect environmental or social components that the Bank or the borrowing country considers sensitive. Some programme-based operations or other regional and sector programme loans that have significant adverse environmental or social risks and are deemed to be Category 1. In some cases, projects are included in Category 1 because of their potential cumulative impacts or the potential impacts of associated facilities. Any project requiring a Full Resettlement Action Plan (FRAP) under the provisions of the Bank's policy on involuntary resettlement is also deemed to be Category 1.

24. Category 1 programme-based operations or regional and sector loans require a SESA, and Category 1 investment projects require an ESIA, both leading to the preparation of an ESMP. For a project requiring a FRAP, the ESIA includes, and—if there are no other issues requiring assessment—may be limited to, the social assessment needed to prepare the FRAP.

25. *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. Likely impacts are few in number, site-specific, largely reversible, and readily minimised by applying appropriate management

[2] The ESMF is a safeguard document that establishes a mechanism to determine and assess future potential environmental and social impacts of a project or programme when uncertainty remains on the project component or exact location.

and mitigation measures or incorporating internationally recognised design criteria and standards. An operation that involves resettlement activity for which an Abbreviated Resettlement Action Plan (ARAP) is required under the ESAPs is classified as Category 2. Most programme-based operations and regional or sector programme loans designed to finance a set of subprojects approved and implemented by the borrower or client are included in this category unless the nature, scale or sensitivity of the intended pipeline of subprojects involves either a high level of environmental and social risk or no such risk.

26. Category 2 projects require an appropriate level of environmental and social assessment (SESA for programme operations, investment plans, and some corporate loans, or ESIA for investment projects) tailored to the expected environmental and social risk so that the borrower can prepare and implement an adequate ESMP (for an investment project) or ESMF (for a programme operation), to manage the environmental and social risks of subprojects in compliance with the Bank's safeguards.

27. *Category 3: Bank operations with negligible adverse environmental and social risks.* Category 3 projects do not directly or indirectly affect the environment adversely and are unlikely to induce adverse social impacts. They do not require an environmental and social assessment. Beyond categorisation, 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 to anticipate and manage unintended impacts on the affected communities.

28. *Category 4: Bank operations involving lending to financial intermediaries.* Category 4 projects involve Bank lending to financial intermediaries that on-lend or invest in subprojects that may produce adverse environmental and social impacts. Financial intermediaries include banks, insurance, reinsurance and leasing companies, microfinance providers, private equity funds and investment funds that use the Bank's funds to lend or provide equity finance to their clients. Financial intermediaries also include private or public sector companies that receive corporate loans or loans for investment plans from the Bank that are used to finance a set of subprojects. Financial intermediary subprojects equivalent to Category 1 and Category 2 are subject to the relevant OS requirements, as if they were directly financed Category 1 or Category 2 projects. However, if a client will use a Bank corporate loan to finance high-risk investment projects known at the time of loan approval, the loan can be considered Category 1.

29. Financial intermediary operations are further classified[3] as FI-A, FI-B, and FI-C to reflect the potential environmental and social impacts and risks of the financial intermediary's existing or proposed portfolio of subprojects, based on the nature, type, scale and sector exposure. The main purpose of this sub-categorisation is to determine the scope and function of the financial intermediary's Environmental and Social Management System (ESMS) and the degree to which the client will be required to monitor and report on the environmental and social risks of its portfolio.

- *Subcategory FI-A:* the financial intermediary's portfolio is considered high risk, and it may include subprojects that have potential significant adverse environmental, climate change, or social impacts and that are equivalent to Category 1 projects.
- *Subcategory FI-B:* the financial intermediary's portfolio is deemed to be medium risk, and may include subprojects that have potential limited adverse environmental, climate change, or social impacts and that are equivalent to Category 2 projects.

[3] The basis for determining the financial intermediary subcategories and their implications for the scope and function of the financial intermediary's ESMS are described in the IESIA Guidance Note on ESMSs.

- *Subcategory FI-C:* the financial intermediary's portfolio is considered low risk and includes subprojects that have minimal or no adverse environmental or social impacts and that are equivalent to Category 3 projects.

30. Each Category 4 financial intermediary is required to:

- Have adequate corporate environmental and social governance policies, apply the Bank's OSs to its Category 1- and Category 2-equivalent subprojects, and comply with local environmental and social requirements;
- Develop and maintain an ESMS in line with the Bank's OSs that is appropriate for the scale and nature of its operations—recognising that the operations of financial intermediaries vary considerably and in some cases may pose minimal environmental and social risk (particularly those of reinsurance companies, which may only need to develop a corporate environmental and social policy);
- Demonstrate that it has the management commitment, organisational capacity, resources and expertise to implement its ESMS for its subprojects; and
- Develop and disclose a summary of the ESMS to the public on its website and make use of the Bank's Negative List (as defined in the ISS), which includes goods that are harmful to the environment, when soliciting a loan or a grant and before the loan can be approved.

31. The Bank carries out due diligence on the ESMS and the financial intermediary's organisational capacity before approving the transaction.

C.4 Screening for climate change risk

32. The Bank screens projects for climate change risk using the Climate Safeguards System, which provides a category for project climate change risk (Box 3) and requires application of the Adaptation Review and Evaluation Procedures that are commensurate with that category. The Adaptation Review and Evaluation Procedures should be mainstreamed into the project ESMP.

BOX 3—Screening Bank projects for climate change risk

The Bank's Climate Safeguards System is a set of decision-making tools and guides that enable the Bank to assess investments in terms of their vulnerabilities to climate change, and to review and evaluate adaption and mitigation measures. Screening should be done as early as possible, as one element of project categorisation.

Category 1: *Projects may be very vulnerable to climate change and require a detailed evaluation of climate change risks and adaptation measures*. Comprehensive, practical risk management and adaptation measures should be integrated into the project design and implementation plans.

Category 2: *Projects may be vulnerable to climate change and require a review of climate change risks and adaptation measures*. Practical risk management and adaptation options should be integrated into the project design and implementation plans.

Category 3: *Projects are not vulnerable to climate change*. Voluntary consideration of low-cost risk management and adaptation measures is recommended, but no further action is required.

C.5 Special screening considerations

33. All assessments should also systematically consider the full range of potential impacts on local affected communities, and especially on vulnerable communities, and should consider possible impacts on cultural heritage.

34. *Vulnerability and community impacts*. The environmental and social assessment process systematically identifies vulnerable groups on the basis of a careful screening and analysis of the social and economic context in which the project will operate. The Bank may assist borrowers and clients to screen, identify and assess vulnerability in project areas upon their request and within the

limits of available resources. The presence of factors that cause vulnerability should be analysed, as should potential project impacts; the capacity to cope with, or adapt to, such impacts; and the potential for such impacts to be mitigated in a way that takes account of the specific vulnerabilities or marginalisation status in question.

35. The borrower or client gives particular attention to assessing the risks and potentially adverse impacts of the project on local communities, including direct and indirect impacts on their health or safety and indirect impacts on their socioeconomic conditions and livelihoods. The borrower or client establishes preventive and management measures consistent with good international practice[4] as described in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines).[5] These measures ensure that identified risks and potentially adverse impacts are addressed in a manner commensurate with their nature and magnitude. Avoiding risks and adverse impacts is preferable to minimising them.

36. When some elements of risk or negative impact still exist despite adequate attempts to avoid or minimise them, the borrower or client informs affected communities of the risk or negative impact in a socially and culturally appropriate manner. The borrower or client also establishes adequate emergency preparedness and response plans so that it is prepared to respond to accidental and emergency situations that may pose a threat to local communities, and to provide affected communities with appropriate information about emergency preparedness and response activities, resources, and responsibilities.

37. In assessing the potential impacts of a project on affected communities, the borrower or client makes use of adequate and qualified expertise to identify people and groups that may be directly, indirectly, and/or disproportionately affected by the project because of their recognised vulnerable status. Guidance on the identification of vulnerable groups and vulnerability assessments is found in the Integrated Environmental and Social Impact Assessment (IESIA) Guidance Notes.

38. Using a gender mainstreaming approach, the Bank carries out an assessment of gender issues for every project and uses the findings as the basis for project design and compensation plans that lead to enhanced gender balance. When a project includes environmental and social analysis, the gender assessment may be carried out as part of this analysis. In particular, the Bank assesses the quality and relevance of gender data and performance indicators, specific pro-gender measures, and budgetary resources allocated for equality and empowerment for any project as key criteria in investment decision-making process.

39. Vulnerable status can be determined by identifying a group's likelihood of facing harder conditions as a result of the project, owing to such factors as gender, economic status, ethnicity, religion, cultural behaviour, sexual orientation, language or health condition. Depending on the specific context of the project, vulnerable groups may thus include female-headed households, those below the poverty line; the landless, some categories of children (orphans, homeless), marginalised social groups and indigenous peoples, those without legal title to assets; ethnic, religious and linguistic minorities; and those who are physically handicapped.

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[4] 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.

[5] The MFI-WGE has adopted the World Bank's EHS Guidelines as a standard. The EHS Guidelines are technical reference documents with general and industry-specific examples of good international industry practice. They contain the performance levels and measures that are normally acceptable to the World Bank Group and are generally considered to be achievable in new facilities, at reasonable cost, by existing technology.

40. Where groups are identified as vulnerable, the borrower or client implements 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, and health care facilities).

41. *Cultural heritage*. The borrower or client is responsible for ensuring that project sites and designs avoid significant damage to cultural heritage, including both tangible and intangible cultural heritage.[6] The borrower or client identifies and qualifies the cultural heritage likely to be affected by the project, and experienced experts assess the project's potential impacts on this cultural heritage. When a project may affect cultural heritage, or access to it, the borrower or client consults with the communities that use or have used it within living memory and with relevant national or local regulatory agencies that are entrusted with protecting cultural heritage, draw on indigenous knowledge to identify its importance, and incorporate the views of these communities into the decision-making process. The purpose of the consultation is to assess, present, and agree with communities on acceptable financial and nonfinancial compensatory measures. The findings of the consultations are disclosed, except when such disclosure would compromise or jeopardise the safety or integrity of the cultural heritage.

42. When the project is likely to have adverse impacts on cultural heritage, the borrower or client identifies appropriate measures for avoiding or mitigating these impacts as stipulated in the Integrated IESIA Guidance Notes. These measures may include avoidance, full site protection, and selective mitigation, including salvage documentation.

43. When the proposed location of a project is in an area where tangible cultural heritage is likely to be found, chance-finds[7] procedures are included in the ESMP. Chance finds are not disturbed until an assessment by qualified experts is made and actions consistent with this OS are identified.

44. The Bank considers all options to preserve tangible cultural heritage during project preparation. The project shall not remove any tangible 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, and protected area management plans and uses internationally accepted best available techniques.

[6] Cultural heritage is defined in this document 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. *Tangible cultural heritage* is 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. Tangible cultural heritage may be located in urban or rural settings and may be above or below ground or under water. Its cultural interest may be at the local, provincial, national or international level. *Intangible cultural heritage* is 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 recognise as part of their cultural heritage and that are transmitted from generation to generation.

[7] *Chance finds* refers to the discovery of previously unknown cultural heritage resources, particularly archaeological resources, that are encountered during project construction or operation.

C.6 Consultation and participation

45. The borrower or client is 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, and also for ensuring broad community support,[8] especially for Category 1 projects and for projects affecting indigenous peoples. Consultation is undertaken with reference to the updated IESIA Guidance Notes on consultation, participation and broad community support, which also provide guidance on affected communities' involvement in the process of project planning, implementation and monitoring.

46. Consultation is based on stakeholder analysis and is preceded by disclosure of adequate project information and environmental and social information to ensure that participants are fully informed. It begins at an early stage during project preparation and continues as needed. It is conducted in a timely manner in the context of key project preparation steps, in an appropriate language, and in an accessible place. The results of the consultation are adequately reflected in the project design and in the project documentation.

47. For Category 1 projects, the affected communities are given the opportunity to participate in key stages of project design and implementation. Therefore, stakeholders should be consulted to obtain their input into the preparation of the draft terms of reference of the environmental and social assessment, the draft SESA or ESIA report and summary, and the draft ESMP. For Category 2 projects, the affected communities and stakeholders are consulted about the draft environmental and social assessment report and the draft ESMP. Consultation should be conducted with the objective of ensuring that the project—especially a Category 1 project—has broad community support, and that affected people endorse the proposed mitigation and management measures.

48. When the borrower or client has identified vulnerable communities that would potentially be affected by the project, the borrower/client engages in meaningful informed consultation and participation with the vulnerable communities, beginning as early as possible in the project cycle before the project is submitted for Board consideration and continuing throughout the project cycle. The borrower or client demonstrates that consulted individuals or groups can effectively represent the affected groups. In particular, this process of engagement:

- Involves representative bodies and civil society organisations, as well as members from the vulnerable communities themselves;
- Ensures inclusivity in a socially and culturally appropriate manner;
- Provides sufficient time for the vulnerable groups' decision-making processes;
- Facilitates the vulnerable groups' expression of their views, concerns and proposals in the language and manner of their choice, without external manipulation, interference, coercion, or intimidation; and
- Respects the culture, knowledge and practices of vulnerable communities.

C.7 Disclosure and access to information

49. The Bank's revised policy on Disclosure and Access to Information is based on the principle of maximum disclosure, enhanced access to information, and limited exceptions. The Bank applies these principles to the environmental and social assessment process, ensuring progressive disclosure of documents at key stages during the project cycle and making documents available to the public on request, through the Integrated Safeguards Tracking System (ISTS).

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[8] Broad community support is a collection of expressions by the affected communities, through individuals or their representatives, of support for the project. It can exist even if some individuals or groups do not support the project.

50. The basic purpose of the ISTS, as an integral part of the ESAPs, is to facilitate the verification of project compliance with the requirements set out in the OSs, over the course of the project cycle. More specifically, the ISTS has a number of key functions:

- *Repository function.* The ISTS acts as a repository for key environmental and social assessment information generated over the lifetime of the project. At each stage of the project cycle, fundamental environmental and social information relevant to that stage is inserted into the ISTS so that, over the project lifetime, the required information is compiled into one document, to be used to facilitate periodic compliance checks.
- *Tracking function.* The ISTS is linked to the Bank's project management/SAP database system and is thus used to directly monitor project progress. It is used to ensure that a project can advance from the project preparation phase to the project appraisal phase only if the relevant OS/ESAP requirements have been adequately fulfilled—a step that is verified by the Bank's Compliance and Safeguards function. The ISTS is also used to ensure that project documents can be submitted to the Board only after the relevant OS/ESAP requirements have been adequately fulfilled; such project documents are accompanied by the Environmental and Social Compliance Note issued by the Bank's Compliance and Safeguards function.
- *Access to information function*. The ISTS provides a mechanism through which the public can access environmental and social assessment information. The ISTS is made available to the public when OpsCom approves the Project Concept Note. It contains links to the summaries of the environmental and social assessment studies and to any FRAP or ARAP. It also provides the mechanism through which members of the public can request complete versions of all environmental and social assessment studies.

51. Environmental and social assessment documents are made public at relevant stages of the project cycle through the ISTS, which is disclosed on the AfDB websites. Borrowers also disclose assessment documents in appropriate national and local settings under the direct responsibility and supervision of relevant national/local authorities.

52. Disclosure commences early in project preparation to allow the public, beyond the mandatory consultation process, to genuinely participate in project design and implementation. This enables communities in project areas to voice their concerns and aspirations and reap true benefits from project-related developments.

- In most cases, the disclosure of key environmental and social assessment documents in the ISTS begins with the terms of reference for SESA/ESIA for Category 1 and 2 projects and encompasses all relevant documents, including SESA/ESIA summaries, ESMPs, financial intermediaries' ESMSs, and Resettlement Action Plans.
- For Category 1 public sector projects, final and cleared versions of key environmental and social assessment documents (SESA/ESIA, ESMP and Resettlement Action Plan summaries) are disclosed at least 120 days before Board consideration, and final versions of Category 1 private sector projects are disclosed at least 60 days before Board consideration.
- For Category 2 public and private sector projects, a summary of the ESMP is made available to the public in the borrowing country, on the Bank's website and the ISTS, and through other appropriate channels of information for at least 30 days before Board consideration.
- For Category 4 projects involving financial intermediaries or corporate loans,[9] the financial intermediary ensures that the subprojects that require ESIAs undergo the same information disclosure process as other private sector Category 1 projects funded by the Bank. Financial

[9] Most corporate loans involve implementation of various subprojects and thus can be treated like financial intermediary category investments.

intermediaries are required to notify the responsible sector department in the Bank if a subproject is deemed to be Category 1, and this information is passed on to the relevant Compliance and Safeguards function of the Bank.

- In projects in which a FRAP is required, it is released as a supplementary document to the ESIA Summary. For any project involving the resettlement of fewer than 200 persons, an ARAP, together with the ESIA or EMSP, is disclosed by the borrower in the borrowing country and by the Bank in the Public Information Centre and field offices, and is posted on the Bank Group's website for public review and comment.

53. The ISTS is 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 summaries, prepared by Bank Group staff with the consent of the borrower, include the staff's conclusions and recommendations regarding environmental and social impacts and preventive or mitigatory measures.

54. Sector and country departments address any public inquiry related to the safeguards information released by the Bank, with the assistance of the Bank's Compliance and Safeguards function. The sector and country departments document and keep on file the communications between the Bank Group and the public.

C.8 Grievance and redress mechanism

55. The borrower or client establishes a credible, independent and empowered local grievance and redress mechanism to receive, facilitate and follow up on the resolution of affected people's grievances and concerns about the environmental and social performance of the project. The local grievance mechanism needs to be accessible to the stakeholders at all times during the project cycle, and all responses to grievances are recorded and included in project supervision formats and reports.

C.9 Implementation of safeguard measures

56. During project implementation, the borrower or client is responsible for the implementation of the ESMP and reports to the Bank on key management or monitoring tasks set out in the ESMP. For all projects, the Bank coordinates with relevant national authorities to ensure that implementation of environmental and social mitigation measures contained in the ESMP, Resettlement Action Plan, and other relevant loan covenants is duly and jointly monitored and reported during project supervision missions. The Bank may, through its Compliance and Safeguards function, conduct compliance audits or appoint an independent monitoring team to the project if there is a serious risk of noncompliance with Bank policies and procedures, or in other cases that the Bank deems appropriate.

OPERATIONAL SAFEGUARD 2

INVOLUNTARY RESETTLEMENT: LAND ACQUISITION, POPULATION DISPLACEMENT AND COMPENSATION

A. Objectives

1. This Operational Safeguard (OS) aims to facilitate the operationalisation of the Bank's 2003 Involuntary Resettlement Policy in the context of the requirements of OS1 and thereby mainstream resettlement considerations into Bank operations.

2. It relates to Bank-financed projects that cause 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; that they receive compensation and resettlement assistance so that their standards of living, income-earning capacity, production levels and overall means of livelihood[1] are improved; and that they share in the benefits of the project that involves their resettlement.

3. The term *resettlement* refers to both physical and economic displacement.[2] 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 in negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

4. Badly planned or inadequately implemented involuntary resettlement can have long-term adverse consequences—in particular, severe impoverishment risks—for the people affected and for communities in the surrounding region. Assets[3] 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[4] 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 aims to assist borrowers or clients, with support from relevant Bank staff, in addressing the potential costs and risks associated with involuntary resettlement and, in doing so, to facilitate sustainable development.

5. The specific objectives of this OS mirror the objectives of the involuntary resettlement policy to:

- Avoid involuntary resettlement where feasible, or minimise resettlement impacts where involuntary resettlement is deemed unavoidable after all alternative project designs have been explored;
- Ensure that displaced people are meaningfully consulted and given opportunities to participate in the planning and implementation of resettlement programmes;

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[1] *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.

[2] *Physical displacement* refers to relocation or loss of shelter; *economic displacement* refers to loss of assets, restriction of access to assets, loss of income sources or loss of means of livelihood.

[3] *Assets* include both economically productive assets (e.g., land, forest, livestock and seeds) and assets that have social or cultural, rather than economic, value (e.g., sacred sites and community structures).

[4] *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.

- Ensure that displaced people receive significant resettlement assistance 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 on the conditions that need to be met regarding involuntary resettlement issues in Bank operations to mitigate the negative impacts of displacement and resettlement, actively facilitate social development and establish a sustainable economy and society; and
- Guard against poorly prepared and implemented resettlement plans by setting up a mechanism for monitoring the performance of involuntary resettlement programmes in Bank operations and remedying problems as they arise.

B. Scope of application

6. This OS applies to all Bank lending operations, both public and private sector, and to project activities funded through other financial instruments managed by the Bank. Its applicability is established during the environmental and social assessment process—specifically, during project screening, when the magnitude, strategy and timing of the resettlement should be determined.

7. It covers all components of a project, including activities resulting in involuntary resettlement that are directly and significantly related to a Bank-assisted project and necessary to achieve its objectives—whether the resettlement is led by a government, a private sponsor, or both—and carried out or planned to be carried out contemporaneously with the project. It aims to clarify all aspects of impacts related to land acquisition; issues related to physical and economic displacement but not specifically related to land acquisition are dealt with in OS1.

8. 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 loss of land, involuntary loss of other assets, or restrictions on land use and on access to local natural resources that result in:

- Relocation or loss of shelter by the people residing in the project area of influence;
- Loss of assets (including loss of structures and assets of cultural, spiritual, and other social importance) or restriction of access to assets, including national parks and 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.

9. When a project requires the temporary relocation of people, the resettlement activities should be consistent with this OS, while taking into account the temporary nature of the displacement. The objectives are to minimise disruption to the affected people, avoid irreversible negative impacts, provide satisfactory temporary services and—where appropriate—compensate for transitional hardships.

10. This OS does not apply to the settlement of refugees and victims of natural disasters, nor to resettlement resulting from voluntary land transactions—that is, market-based land transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail.

C. Eligibility and entitlements

11. In accordance with the involuntary resettlement policy, three groups of displaced people are 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 recognised under the laws of the country concerned. This category generally includes 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 recognised under the customary laws of the country. This category may include 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 recognised by communities as customary inheritors. Depending on the country's customary land use rights, they may also be considered to have a claim if they are sharecroppers, tenant farmers, and seasonal migrants or nomadic families losing user rights.
- Those who have no recognisable legal right or claim to the land they are occupying in the project area of influence and who do not fall into either of the two categories described above, if they themselves or witnesses can demonstrate that they occupied the project area of influence for at least six months prior to a cut-off date established by the borrower or client and acceptable to the Bank. These groups may be entitled to resettlement assistance other than compensation for land to improve their former living standards (compensation for loss of livelihood activities, common property resources,[5] structures and crops, etc.).

D. OS requirements

D.1 Project design

12. The borrower or client considers feasible alternative project designs, including re-siting and re-routing, to avoid or minimise 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 borrower considers either downsizing the project to reduce resettlement or finding other alternatives that can reasonably replace the project.

13. For greater transparency and fairness, the borrower or client involves all stakeholder groups as early as possible, at least at the time when the first project plans are drafted; before completion of the project design, including their inputs so that the project design can be properly altered; and continuing throughout implementation, particularly in monitoring and evaluating resettlement and compensation projects and programmes.

14. Since the dissemination of findings is critical to developing effective measures for mitigating adverse impacts and optimising benefits, it should be a continuous process incorporating the ongoing lessons from the affected communities and changes in the conceptual design of the project. Beginning early in the design phase the borrower or client continually disseminates project plans and assessment findings to stakeholders so that they have access to information that they can use to help identify options for avoiding or mitigating adverse impacts that might pose risks to project costs, schedules, and affected people. This project information must 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.

[5] Common property resources are those that have value in their entirety, are used communally, and are owned either by the government or by more than one individual on a shared or communal basis.

D. 2 Consultation, participation and broad community support

15. Specific consultation, participation and broad community support guidelines are incorporated in the revised IESIA Guidance Notes, which are part of the ISS. Open, inclusive and effective consultation with local communities includes the following elements:

- Appropriate notice to all potentially affected persons that resettlement is being considered and that there will be public hearings on the proposed plans and alternatives;
- Effective advance dissemination by the authorities of relevant information, including land records and proposed comprehensive resettlement plans specifically addressing efforts to protect vulnerable groups;
- A reasonable time period for public review of, comments on, and/or objection to any options of the proposed plan; and
- Public hearings that provide affected persons and/or their legally designated representatives with opportunities to challenge the resettlement design and process, and/or to present and discuss alternative proposals and articulate their views and development priorities.

16. When displacement cannot be avoided, the borrower or client must consult in a meaningful way with all stakeholders, particularly the people affected and the host communities, and involve them at all stages of the project cycle in a clear and transparent manner—in designing, planning, implementing, monitoring, and evaluating the Resettlement Action Plan discussed below. Community participation helps to ensure that compensation measures, development programmes and service provisions reflect the needs and priorities of the people affected and their hosts. Thus the borrower or client makes it a particular priority to incorporate local knowledge into the Resettlement Action Plan.

17. The borrower or client consults the affected people about their preferences pertaining to resettlement and gives them genuine choices among technically, economically, and socially feasible resettlement options. In particular, they are given the opportunity to participate in the negotiation of compensation packages, and in 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. They are also consulted about decisions on eligibility requirements, the suitability of proposed resettlement sites and the proposed resettlement timings.

18. The borrower or client gives special attention to consultations that involve vulnerable[6] groups. In the context of gender vulnerability, for example, the borrower or client gives careful consideration 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 is 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 are also carefully considered, as levels of literacy and networking may differ according to age, gender, economic status and other lines of social hierarchy/discrimination.

19. The Bank considers broad community support to be a key principle and an achievement that demonstrates that borrowers and clients have used openness, transparency, and inclusiveness in making decisions about the project, and have made genuine efforts to maximise benefits to

[6] Vulnerable status can be determined by identifying a group's likelihood of facing harder conditions as a result of the resettlement because of such specific factors 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, for example, female-headed households, those below the poverty line, the landless, indigenous peoples, those without legal title to assets, those with physical handicaps, or ethnic, religious and linguistic minorities. 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.

communities and reduce any harmful impacts. The Bank therefore requires that borrowers and clients fulfil the requirements for broad community support set out in OS1.

20. The Bank devotes adequate resources to monitoring consultation and community participation, and to the delivery and implementation of any commitment made to communities within the resources and lifespan of the project.

D.3 Resettlement planning

21. The borrower or client carries out a comprehensive socioeconomic survey—in line with international standards for social and economic baseline studies as agreed to in the environmental and social assessment process—including a population census and an inventory of assets (including natural assets upon which the affected people may depend for a portion of their livelihoods). This survey identifies the people who will be displaced by the project; all the relevant characteristics of those people, including conditions of vulnerability; and the magnitude of the expected physical and economic displacement.

22. The baseline survey includes gender- and age-disaggregated information pertaining to the economic, social and cultural conditions of the affected population. It contains various official materials (maps, numerical records, special reports, research and knowledge pieces, etc.), records of interviews with stakeholders about their preferences, supply chain due diligence material, and a protocol to fill any gaps in data and ancillary information, and it identifies opportunities to improve community welfare. The survey process also ensures that ineligible people, such as opportunistic settlers, cannot claim benefits. However, seasonal resource users may not be present in the project area of influence during the time of the survey, so special consideration is given to their claims.

23. At a minimum, the borrower or client conforms to any relevant host government procedures. In addition, or in the absence of host government procedures, the borrower or client establishes a cut-off date for eligibility that is acceptable to the Bank. The borrower or client documents the cut-off date(s) and disseminates information about it (them) throughout the project area of influence in a culturally appropriate and accessible manner, before taking any action on clearing land or restricting local community access to land.

24. As early as possible in the resettlement process, the borrower or client works with informally constituted local committees made up of representatives from key stakeholder groups and, in particular, vulnerable communities to establish a culturally appropriate and accessible grievance and redress mechanism to resolve, in an impartial and timely manner, any disputes arising from the resettlement process and compensation procedures. The grievance redress mechanism, which is monitored by an independent third party, does not impede access to judicial or administrative remedies, and it informs affected people about the Bank's Independent Review Mechanism (IRM).

25. The Bank co-operates with the borrower or client in the design and establishment of the grievance and redress mechanism to ensure that it is legitimate, accessible, predictable, equitable and transparent. The Bank also ensures that local communities are consulted on and associated with the decision, and that they understand the different forms and levels of the accountability framework under which the Bank intervenes. The Bank ensures that adequate monitoring and evaluation of the grievance and redress mechanism are incorporated as essential elements.

D.4 Resettlement Action Plan

26. The borrower or client prepares a Full Resettlement Action Plan (FRAP) for (i) any project that involves 200 or more persons (as defined by the involuntary resettlement policy), or (ii) any

project that is likely to have adverse effects on vulnerable groups.[7] The outline of a typical FRAP can be found in Annex A of the Involuntary Resettlement policy and the related IESIA Guidance Note.

27. For any project in which the number of people to be displaced is fewer than 200 people and land acquisition and potential displacement and disruption of livelihoods are less significant, the borrower or client prepares an Abbreviated Resettlement Action Plan (ARAP). Annex B of the Involuntary Resettlement policy describes an ARAP, and related guidance can also be found in the relevant IESIA Guidance Note.

28. Project planners 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.

29. The FRAP (i) demonstrates that local knowledge has been used early on in project formulation to ensure that resettlement is avoided or minimised, (ii) is evaluated through a participatory process, with a clearly defined role for affected people, and (iii) is subject to a midterm review to identify and resolve any problems arising during the process. The FRAP/ARAP includes an executive summary detailing the size of the affected populations, proposed resettlement measures and activities, implementation timetable, outstanding issues, and dedicated financial resources for the implementation of activities. The borrower or client submits the FRAP/ARAP as a formal document to the relevant national, local and/or municipal agencies and to the Bank. The FRAP is finalised as a supplement document to the Environmental and Social Impact Assessment report, and the ARAP is finalised as a supplement document to the Environmental and Social Management Plan (ESMP).

30. The Bank posts the FRAP/ARAP in its Public Information Centre and on its website for public review and comment, in accordance with the Bank's ESAPs. The FRAP is released to the public at least 120 days before the proposed operation is presented to the Board and the ARAP at least 30 days before Board presentation.

D.5 Compensation procedures

31. The units that are entitled to compensation (e.g., family, household, and individual) are decided through consultation with those to be displaced.

32. Affected people are compensated for all their losses at full replacement costs before their actual move; before land and related assets are taken; and, if the project is implemented in phases, before project activities begin for each particular phase. The borrower or client gives preference to land-based resettlement strategies and as a matter of priority offers land-to-land compensation and/or compensation-in-kind in lieu of cash compensation where feasible; further, the borrower or client clearly explains to affected people that cash compensation very often leads to rapid impoverishment.

33. The total cost of the project includes the full cost of all resettlement activities, factoring in the loss of livelihood and earning potential among the affected population. The calculation of the "total economic cost" also factors in the social, health, environmental and psychological impacts of the project and the displacement, which may disrupt productivity and social cohesion. The resettlement costs are treated against the economic benefits of the project, and any net benefits to the affected population are added to the benefit stream of the project.

34. Displaced people are provided with targeted resettlement assistance[8] with the aim of ensuring that their standards of living, income-earning capacity, production levels and overall means of

[7] This threshold is intended to be a primary divide in magnitude of resettlement but should not be seen as a cast-in-stone criterion; significance of disturbance for both physical and economic displacement may be evaluated using expert judgment and complementary information, when available.
[8] *Targeted resettlement assistance* is assistance that is specifically oriented towards, and that responds to the particular needs of, the individuals or groups that will receive it.

livelihood are improved beyond pre-project levels. To this end, a comprehensive livelihood improvement programme is formulated and implemented as part of the Resettlement Action Plan. Strategies to improve livelihoods may involve providing access to training through appropriate technologies.

35. The affected populations are offered a range of different compensation package, resettlement assistance, and livelihood improvement options, as well as options for administering these measures at different levels (e.g., family, household and individual), and the affected persons themselves are given the opportunity to express their preferences. This option-based resettlement planning is part of 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.

36. Particular attention is given to ensuring that the interests of both women and men and of the elderly and the handicapped are taken into account when formulating and implementing compensation packages, resettlement assistance measures and livelihood improvement measures. As a concrete step to implementing this requirement, households headed by women—especially widows—are provided productive land to improve their income and livelihood sustenance capacity in rural areas where livelihoods are generally agriculture-based. In general, compensation arrangements, resettlement assistance and livelihood improvement measures, such as skills training, are made equally available to all social groups and adapted to their specific needs, even when land is owned by the state or communally and settlers are not entitled to land ownership.

37. The borrower or client makes every effort to provide opportunities to the affected people to derive appropriate development benefits from the project that involves their resettlement. The borrower or client specifically engages with the affected people as project beneficiaries and discusses with them how project-related development benefits—for example, access to electricity, roads, sources of irrigation or domestic water supply—might be obtained and spread most effectively among them.

38. Where the affected people do not have land titles, cadastral surveys are carried out to establish the basis for compensation, and it may be necessary to establish procedures to regularise and recognise 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 recognised and clearly explained to people who are entitled to compensation as well as to those groups that may not be eligible for land-based compensation.

39. The criteria for site selection are explicit and are discussed in detail with the affected people. In rural resettlement programmes it may be important to ensure that a whole community or village is resettled together.

40. The criteria for assessing the value of land, housing and other property are standardised and transparent, and the benefits of the resettlement are clearly established. For urban resettlements, provisions may include financial compensation, housing, and provision of services—such as schools, health care facilities, transport, credit facilities, training, capacity building and other job opportunities. In rural areas, the resettlement programme gives priority to land-for-land compensation options for affected people whose livelihoods are based on land. Whenever replacement land is offered, displaced people are 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. For rural resettlements, provisions may also include access to agricultural equipment and other agricultural inputs.

41. The procedures for allocating land plots are transparent and are agreed with the affected people. The project is required to establish quality control and monitoring systems to guarantee that affected people receive the promised compensation packages before project implementation on the ground—including clearing the right-of-way—begins.

42. When land is not the preferred option of the displaced people whose livelihoods are land-based, non-land-based options—built around creating employment opportunity or self-employment—are considered.

43. All housing for physically displaced people is provided with security of tenure.[9]

44. If possible, compensation is made in kind for loss of common property resources, such as rivers, lakes or forest resources. Particular attention is given to replacing not only the common property itself, but also the particular services and community interlinkages that it provided.

45. When a project involves the loss of public facilities, infrastructure, and common property resources, the borrower or client consults with the affected community to identify and agree on suitable alternatives that are equivalent to, or an improvement on, those being lost.

46. The affected populations and host communities are provided with support before, during, and 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.

47. Compensation payment procedures are simple and are independently monitored. Accurate records are kept of all transactions.

48. Considerable attention is given to avoiding internal community conflict throughout the resettlement process. This is a particular focus in relation to decisions around compensation packages, resettlement assistance and livelihood improvement measures, and their delivery to the affected people. The project promotes the notion of benefit sharing and improvement of the economic status of communities when designing common property compensation provisions.

49. When cash payments are made, the affected people should be provided with counselling to ensure that they have the knowledge to use the compensation wisely.

50. In addition to material provisions, the project addresses cultural and psychological issues. It attempts to avoid the destruction of cultural, religious and archaeological sites—including natural sites and habitats valued for cultural, religious and archaeological reasons —or to provide alternative sites that are acceptable to the affected population. When relocation touches religious sites, a comprehensive plan is established in co-operation with religious and traditional community leaders to ensure that an alternative location is found and that all rituals can be conducted to ensure that the new site represents the same degree of sacredness as the previous location. Social structures and community networks among the affected persons should be maintained. Support and advice are made available to help the affected persons cope with, and benefit from, the resettlement process.

D.6 Host communities

51. The borrower or client carries out a detailed analysis of host communities to identify potential problems associated with receiving displaced people, and to address these problems so that adverse impacts on host communities are minimised and the host communities are able to share in the development opportunities provided through the resettlement process. The assessment of host communities is based on transparent information and effective consultation, and it results in a consensual agreement that must be conveyed to the borrower or client by representative community leaders, and recorded in public consultation proceedings.

52. Any payments due to the hosts for land or other assets provided to the affected population are promptly rendered in line with agreements reached with the host communities.

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[9] *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.

53. Conflicts between hosts and the affected population may develop as increased demands are placed on land, water, forests, services, and so on, or if those affected by the project are provided with services and housing superior to those of the hosts. The borrower or client carefully considers such impacts when assessing the feasibility and costs of any proposed project involving displacement, and adequate resources are 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.

D. 7 Vulnerable groups

54. Member countries and other borrowers/clients are responsible for protecting the physical, social and economic integrity of vulnerable groups and for paying particular attention to health needs, particularly for women, including access to female health care providers and to such services as reproductive health care and appropriate counselling for sexual and other abuses.

55. With respect to gender vulnerability in particular:

- Women's groups and men's groups are 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.
- The Resettlement Action Plan includes a specific protocol specifying safeguards for the quality and quantity of land to be allocated for women, especially widows and divorcees, to ensure their means to generate income and achieve food security.
- Land titles at the resettlement site are in the name of both spouses or of single heads of household, regardless of gender, if this does not conflict with the borrower or client's own laws and legislation.
- Husbands and wives, unmarried women, and elderly sons and daughters are explicitly included as eligible for compensation, including compensation for loss of land, shelter, livelihoods and any other privately owned assets. Compensation payments to families are made to both husbands and wives when this is technically feasible and socially acceptable.

56. Borrowers or clients prepare a Community Development Plan for projects that have clear risks for affected communities, which need to be mitigated. Specific risks associated with land, resettlement or environmental damage are integrated in the Resettlement Action Plan or the ESMP, and support measures should be designed and managed in consultation with affected communities to respect their cultural preferences.

57. Differentiated measures for vulnerable groups include the development of mechanisms for consultation that ensure that sufficient time is provided for the traditional decision-making processes and for employing intermediaries such as specialist nongovernmental organisations that have expertise in working with vulnerable groups, in elucidating their concerns and needs, and in developing measure to address these concerns and needs.

D.8 Implementation, monitoring and evaluation

58. The borrower or client is responsible for the implementation, monitoring and evaluation of the activities set out in the Resettlement Action Plan, and it keeps the Bank informed of progress. The resettlement component of an operation is fully and specifically covered in the reports on the progress of the overall project, and is included in the logical framework of the operation. The loan agreement specifies the monitoring and evaluation requirements and their timing.

59. An independent third party monitors the implementation of large-scale or complicated Resettlement Action Plans, with regular feedback from the affected people. Affected people are also given the opportunity to participate in such implementation monitoring. The Bank and borrower agree

on either contracting an independent third party to perform the evaluation on their behalf, or using a third party to implement the resettlement activities, with an obligation to report back to them both.

60. For large-scale resettlement operations quarterly reviews are recommended, and in-depth reviews of midterm progress, consistent with the overall project scheduling, are critical. Such reviews are planned from the beginning to allow the executing agencies and the Bank to make the necessary adjustments in project implementation.

61. Monitoring activities include a review of the grievance and redress mechanism and of the physical progress and impact of the Resettlement Action Plan. Monitoring also evaluates the borrower or client's commitment to the Resettlement Action Plan and the availability of sufficient financial resources, as identified in the budget, to carry out the Resettlement Action Plan. Upon completion of the project, the borrower or client assesses the success of the Resettlement Action Plan and includes relevant information in the Project Completion Report (PCR). The Bank then develops its own PCR. If either of these assessments reveals that any key objectives of the Resettlement Action Plan were not achieved, follow-up measures are developed to remedy the situation.

62. The borrower and the Bank carry out an independent ex-post evaluation—a Resettlement Action Plan completion audit or implementation completion report. Among other things, this evaluation examines the effectiveness of the mitigation measures recommended and implemented and derives lessons learned to inform similar types of projects in the future. The evaluation compares the actual situation with the planned or predicted situation, including in particular the number of people affected, and reviews the assumptions, the resettlement-induced and associated risks, and the uncertainties encountered.

OPERATIONAL SAFEGUARD 3

BIODIVERSITY, RENEWABLE RESOURCES AND ECOSYSTEM SERVICES

A. Objectives

1. This Operational Safeguard (OS) outlines the requirements for borrowers or clients to (i) identify and implement opportunities to conserve and sustainably use biodiversity[1] and natural habitats, and (ii) observe, implement, and respond to requirements for the conservation and sustainable management of priority ecosystem services.[2]

2. It reflects the objectives of the Convention on Biological Diversity to conserve biological diversity and promote the sustainable management and use of natural resources. It 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, the World Heritage Convention,[3] the UN Convention to Combat Desertification and the Millennium Ecosystem Assessment. Its recommendations also align with the International Plant Protection Convention, which covers the movement of invasive alien species, pests and pest risk analysis for quarantine pests, including analysis of environmental risks and living modified organisms.

3. The specific objectives of the OS are to:

- Conserve biological diversity and ecosystem integrity by avoiding or, if avoidance is not possible, reducing and minimising potentially harmful impacts on biodiversity;
- Endeavour to reinstate or restore biodiversity, including, where some impacts are unavoidable, through implementing 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 sustain project performance.

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[1] 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” (*The Convention on Biological Diversity*).

[2] Ecosystem services are the benefits that people derive from ecosystems. There are four types of ecosystem 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).

[3] For the purposes of this Convention, the following are considered as “natural heritage”: natural features consisting of physical and biological formations or groups of such formations, which are of outstanding universal value from the aesthetic or scientific point of view; geological and physiographical formations and precisely delineated areas that constitute the habitat of threatened species of animals and plants of outstanding universal value from the point of view of science or conservation; and natural sites or precisely delineated natural areas that are of outstanding universal value from the point of view of science, conservation or natural beauty.

B. Scope of application

4. This OS applies to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank. Its applicability is established during the environmental and social assessment process.

5. The OS specifically applies to Bank operations that:

- Are located in any type of habitat;[4]
- Are 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;
- Extract renewable natural resources as a main purpose (e.g., plantation forestry, commercial harvesting, agriculture, livestock, fisheries and aquaculture); or
- Involve the use and commercialisation of an indigenous knowledge system.[5]

C. OS requirements

C. 1 Environmental and social assessment

7. As part of the environmental and social assessment, the borrower or client identifies and assesses the potential opportunities for, risks to, and impacts on biological diversity and ecosystem services, including direct, indirect, cumulative and pre-mitigation impacts.

8. The borrower or client applies the mitigation hierarchy: to avoid potentially adverse impacts; if avoidance is not possible, to reduce and minimise potential adverse impacts; if reduction or minimisation is not sufficient, to mitigate and/or restore; and as a last resort to compensate for and offset.

9. Special attention is given to the major threats to biodiversity and ecosystem services, such as pollution and contamination, land conversion, habitat fragmentation, natural habitat loss, deforestation, over-exploitation of natural areas and resources, invasive alien species, migration barriers, the capturing of wild animals, the harvesting of endemic species and indigenous ornamental flora and fauna, and wildlife poaching.

10. The borrower or client obtains the advice of and uses recognised experts to assess biodiversity and ecosystem services values—for example, cultural, aesthetic, spiritual, educational, and recreational values—identified by potentially affected community members and other stakeholders.

11. The borrower or client ensures that access to and commercialisation of indigenous knowledge is based on equitable benefits.

C.2 Conservation of habitats and biodiversity

12. The implementation of this OS involves the following habitat categories:

- *Natural habitats:* habitats with original populations of native flora and fauna whose species composition, richness and abundance have not been modified by human activities.

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[4] *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 (*IFC PS 6 (Version 2010)).*

[5] In the emerging global knowledge economy, a country's ability to build and mobilise knowledge capital is equally essential for sustainable development as the availability of physical and financial capital. The basic component of any country's knowledge system is its indigenous knowledge. It encompasses the skills, experiences and insights of people, applied to maintain or improve their livelihood (World Bank 1997).

- *Modified habitats:* habitats whose primary ecological functions have been significantly altered by human activities and whose original species composition, richness and abundance have been reduced, with evidence of colonisation by non-native species of flora and fauna.
- *Critical habitats:* natural or modified habitats that have a high biodiversity value; they include the following:
  - Habitats important to critically endangered and footprint-impacted species;[6]
  - Habitats of significant importance to endemic and/or restricted-range species and subspecies;
  - Habitats of significant importance to globally significant concentrations of migratory species and/or congregatory species;[7]
  - Regionally significant and/or highly threatened or unique ecosystems;
  - Areas that are associated with key evolutionary processes;
  - Areas that are important to species that are vital to ecosystems, such as keystone species;[8] and
  - Areas that supply ecological networks.

  Critical habitats can include areas that are not being protected or managed, and they may be outside legally protected and designated areas. Habitats may be considered critical if their ecosystem functions or species rely on or provide connectivity with other critical habitats, including legally protected critical habitat areas. The Bank does not finance projects in critical habitats downgraded merely to allow the project to proceed.

13. To ensure objectivity and accuracy, the determination as to whether a habitat is natural, modified, or critical is made in consultation with recognised habitat and biodiversity institutions and experts, and takes into account designations by national and local authorities.

14. For projects that are being developed in natural habitats, modified habitats with significant conservation value, critical habitats or legally protected areas, the borrower or client incorporates the best available science and engages internationally recognised biodiversity experts in conducting the impact assessment and in developing and implementing mitigation and management strategies.

15. If the project is to take place in or near a natural or critical habitat, or near a legally protected or internationally recognised area, the assessment considers the potential risks and impacts that may occur at the landscape or seascape level.[9]

16. In modified habitats, the borrower or client makes every effort to minimise any further degradation or habitat conversion. If the borrower or its consultants identify areas of biodiversity and conservation value within the project's area of influence, the borrower or client takes steps to promote conservation activities in such areas, with appropriate indicators and monitoring.

17. In all projects, the borrower or client ensures that the project will not cause significant modification[10] of natural habitats, except when:

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[6] As per the IUCN classification.

[7] 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).

[8] A keystone species is a species that has a disproportionately large effect on its environment relative to its abundance. Paine, R.T. (1995), "A Conversation on Refining the Concept of Keystone Species," *Conservation Biology* 9(4): 962–964.

[9] The concept of "landscape/seascape" encompasses areas such as an eco-region or biome, and broadens the zone concept to apply beyond international waters or a particular zoned area.

- There are no technically and cost-effective viable alternatives to implementing the project in the natural 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.

18. If projects are to be developed in natural habitats, or are to have potential adverse downstream impacts on natural habitats, they include mitigation measures to achieve either net benefit or no net loss of biodiversity—for example, ecological restoration of habitats, measures to reduce fragmentation, and restoration of ecosystem functioning. As a last resort, this can be done by the development of a biodiversity offset programme, in accordance with the biodiversity offset principles established by the Business and Biodiversity Offsets Programme or comparable organisations and programs. When considering biodiversity offsets, the borrower/client uses a landscape/seascape-scale planning process to identify the most environmentally sound approach.

19. The Bank may agree to finance a project in a critical habitat if the borrower or client can demonstrate, using appropriate measurement and monitoring methods, that:

- The mitigation hierarchy has been implemented;
- The project provides clear benefits and positive outcome for biodiversity and ecosystem services;
- The project-related activities will not have adverse effects (direct, indirect, or cumulative) on the criteria for which the critical habitat was designated;
- The project will not have any negative effects on critically endangered or endangered species;
- The project will achieve the previous two points without offsets or a "net gain" analysis; and
- A robust, appropriately designed and funded, long-term biodiversity monitoring and evaluation programme is integrated into (i.e., provides feedback into) the client's management programme.

For such projects, project activities may also seek to enhance critical habitat and protect and conserve biodiversity (that is, have a positive conservation outcome).

20. Any assessment and/or planning by the borrower/client with respect to critical habitat meets the following conditions:

- It is developed on a case-by-case basis in consultation with recognised experts such as the International Union for the Conservation of Nature (IUCN).
- Before the project commences it uses good quality baseline data to assess the dimensions of the study area and describe relevant physical, biological, and socioeconomic conditions, including the current status of the critical habitat and critically endangered or endangered species and any changes anticipated.
- It reflects the conservation plans of relevant governments and regional and/or international bodies.

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[10] *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 minimises the habitat's ability to maintain viable populations of its native species (*IFC PS 6).*

- It uses a landscape/seascape analysis.
- If the primary objective of the proposed project is not conservation, it explores possibilities for positive (not just neutral) conservation outcomes in the critical habitat, including through consultations with local stakeholders and conservation officials. In such a case, the borrower or client develops and implements a Biodiversity Action Plan[11] and ensures sufficient organisational capability for the implementation of the action plan throughout the project cycle.

21. When the habitat/biodiversity implications of a project would appear to be particularly severe, the Bank may decide not to finance the project.

C.3 Legally protected areas and internationally recognised areas

22. Where national regulations permit a project to encroach on legally protected areas or internationally recognised areas or on areas that are proposed for protection or international recognition, the borrower or client complies with national and local regulations for appropriate environmental management, and consults with relevant stakeholders during the preparation of management and mitigation measures. The borrower or client ensures that any proposed development is consistent with the area's management plan or, in the absence of a management plan, with the objectives determined by the responsible natural resource, protected area, or wildlife agency. The borrower or client also determines whether the area is critical, natural or modified, and then implements the relevant requirements of this OS. The borrower or client does not encourage the degazetting or downgrading of protected areas status, and the Bank does not finance projects developed in areas that have been degazetted or downgraded for the purposes of encouraging development.

C.4 Invasive alien species

23. The borrower or client takes precautions to avoid introducing any potentially invasive alien species (that is, species not currently established in the country or region of the project) unless such an introduction is:

- In accordance with any existing applicable regulatory framework undertaken by the relevant international organisations for such introduction; or
- The introduction is subject to a risk assessment, which may be part of the environmental assessment, to determine the potential for invasive behaviour. Under no circumstances are species known to be invasive introduced into new environments. The borrower or client assesses the possibility of accidental or unintended introduction of invasive alien species, and identifies measures to minimise the potential for release.

24. If invasive alien species already exist in the area, the borrower or client does not undertake activities that may enhance their competitiveness in comparison with native/indigenous species or promote their spread. The borrower or client assesses the feasibility and cost-effectiveness of eradicating the invasive alien species.

C.5 Genetically engineered organisms

25. The Bank's approach to genetically engineered organisms will be demand-driven and consistent with the laws and policies of regional member countries and sub-regional entities. Where

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[11] The Biodiversity Action Plan is a stand-alone plan that offers an additional level of assurance (as an annex) to the ESIA or the ESMP in areas that have been recognised as important to biodiversity.

the relevant provisions regarding risk-related assessments do not exist, the Bank will be guided by the Cartagena Protocol on Biosafety. [12]

C.6 Environmental flows

26. For projects that affect water resources, the borrower or client avoids significantly altering flow regimes in ways that prevent water resources from fulfilling their functions for important upstream and downstream ecosystems and their services to local communities. The borrower therefore assesses and manages environmental flows for the conservation and sustainable use of biodiversity and ecosystem services. In addition to environmental flows, the assessment needs to give equal attention to other aspects of the aquatic ecosystem, such as sedimentation and the viability of fisheries.

27. The borrower or client ensures 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. The member country (or group of countries) in which the project takes place is responsible for ensuring compliance through its appropriate water resources management agency.

28. The borrower or client ensures that the environmental and social assessment uses appropriate methodologies to address the issue of environmental flows according to best practice, including the recommendations of the World Commission on Dams. Before beginning any waterflow project, the borrower or client conducts a participatory water needs audit to determine, in consultation with relevant stakeholders who depend on the river flows for various needs, the minimum baseline ecological flow requirements.

29. Environmental flow analysis and management are carried out to the extent feasible in the context of river basin planning, so that the basin's entire water balance—now and in the future—is the framework in which environmental flows are determined. If no river basin plan exists, it is especially important that the project-based analysis consider the value of water across social, economic and environmental objectives so that these objectives are not jeopardised by an individual project or the cumulative impacts of multiple projects.

C.7 Renewable natural resources

30. In projects whose main objective includes the extraction of renewable natural resources—such as forestry, wild fisheries, agriculture, animal breeding and aquaculture—these resources are managed in a sustainable manner, with preference for internationally recognised systems of certification of sustainable management and use.

- *Plantation forestry and commercial harvesting*. The borrower or client assesses the type of habitat that will potentially be affected and follows the requirements of this OS, especially for palm oil, cocoa, coffee, tea and other commercial crop plantations. The borrower or client implements industry-specific best international management practices and available technologies.
- *Agriculture and livestock.* The borrower or client assesses the type of habitat that will potentially be affected and follows the requirements of this OS. The borrower or client follows agricultural and livestock best practices, and uses methods that do not deplete the natural resource base.

[12] The Cartagena Protocol on Biosafety to the Convention on Biological Diversity is an international agreement that aims to ensure the safe handling, transport and use of genetically engineered organisms that result from modern biotechnology and that may have adverse effects on biological diversity, taking also into account risks to human health. It was adopted on 29 January 2000 and entered into force on 11 September 2003.

- *Fisheries and aquaculture.* The borrower or client assesses the type of habitat that will potentially be affected and follows the requirements of this OS. To support sustainable fisheries and avoid significant adverse impact to the target species by catch, habitat, and associated species in accordance with relevant national laws and international good practice, the borrower or client implements the principles and standards set out in the FAO Code of Conduct for Responsible Fisheries and complies with all relevant conservation and management measures. When promoting the development of artisanal fisheries, the borrower or client uses methods that are in accordance with all relevant national laws and multilateral rules, are sustainable and not harmful to the ecosystem, avoid destructive or illegal fishing practices, and are culturally appropriate to the communities concerned.

C.8 Supply chains

31. If the borrower or client uses external suppliers of living resources but does not have management control over their sourcing and the resources are key to the project's core functions, the borrower or client develops and implements a sustainable resources procurement policy, procedures, and action plan to ensure that:

- Only resources of a legal and sustainable origin are purchased;
- The origin of the resources is monitored; and
- The resources do not originate from legally protected areas[13] or internationally recognised areas of high conservation value.[14]

C. 9 Management of ecosystem services

32. If during the environmental and social assessment it is determined that the project may affect important ecosystem services, the borrower or client performs an ecosystem services review to identify the risks.

33. The value of ecosystem services is 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.[15] However, any decisions on assessing the value of ecosystem services, establishing priorities, and/or developing strategies to avoid/mitigate impacts should be made in consultation with governmental resource management/protection agencies and local community representatives to ensure that ecosystem services critical to existing conservation and/or development objectives are preserved. After the value of ecosystem services is assessed, the borrower or client identifies, in consultation with resource managers and local communities, those ecosystem services that should be

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[13] The IUCN definition of a legally protected area is: "a clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values." Legally protected and designated areas include IUCN Protected Categories (I-V), including marine areas, and established corridors between such sites.

[14] Internationally recognised areas include UNESCO Natural World Heritage Sites; UNESCO Man and the Biosphere Reserves; Key Biodiversity Areas; and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).

[15] Value is attached to the ecosystem services' importance to communities' welfare and livelihoods and to their contribution to ecological equilibrium (of landscapes and seascapes) rather than to intrinsic economic value and contribution to the national economy. This option derives from the Bank's mandate to fight poverty and promote sustainable development beyond economic growth. Therefore, prioritisation of ecosystem services should be coherent with this option.

protected through the biodiversity mitigation hierarchy as "priority ecosystem services." The impact assessment takes into account the same factors as are considered in the value assessment. For the priority ecosystem services, the impact and dependence of the project are assessed in terms of change in communities' well-being and project performance.

34. The borrower or client attempts to avoid adverse impacts on priority ecosystem services. If such impacts are unavoidable, the borrower or client identifies ways to reduce these impacts and implement restoration measures to maintain the value and functionality of those priority ecosystem services. These measures are included in the ESMP.

OPERATIONAL SAFEGUARD 4
POLLUTION PREVENTION AND CONTROL, HAZARDOUS MATERIALS AND RESOURCE EFFICIENCY

A. Objectives

1. This OS outlines the main pollution[1] prevention and control requirements for borrowers or clients to achieve high-quality environmental performance, and efficient and sustainable use of natural resources, over the life of a project.

2. The specific objectives are to:

- Manage and reduce pollutants resulting from the project—including hazardous and non-hazardous waste—so that they do not pose harmful risks to human health and the environment; and
- Set a framework for efficiently using all of a project's raw materials and natural resources, especially energy and water.

3. This OS draws on and aligns Bank operations with existing international conventions and standards related to pollution, hazardous materials and waste, and related issues.[2] It also requires compliance with internationally accepted environmental standards, particularly the World Bank Group Environmental Health and Safety (EHS) Guidelines.

B. Scope of application

4. This OS applies to all Bank lending operations, both public and private sectors, and project activities funded through other financial instruments managed by the Bank. Its applicability is established during the environmental and social assessment process.

C. OS requirements

C.1 Pollution prevention and control, and resource efficiency

5. The borrower or client applies pollution prevention and control measures consistent with national legislation and standards, applicable international conventions, and internationally recognised standards and good practice, particularly the EHS Guidelines.

6. When national legislation and regulations differ from the standards and measures presented in the EHS Guidelines, borrowers or clients are normally required to achieve whichever is more stringent. However, if less stringent levels or measures are appropriate to specific project circumstances, the borrower or client provides full and detailed justification for any proposed alternatives through the environmental and social assessment process. This justification demonstrates that the choice of any alternate performance levels is consistent with the overall requirements of this OS and internationally agreed best available techniques and best environmental practice.

[1] *Pollutants*: Hazardous or non-hazardous chemicals in the solid, liquid or gaseous phases; includes other forms, such as pests, pathogens, thermal discharge to water, greenhouse gas emissions, nuisance odors, noise, vibration, radiation, electromagnetic energy and the creation of potential visual impacts including light (*IFC PS 3)*.

[2] International conventions and standards 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, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, and the Minamata Convention on Mercury.

7. The borrower or client includes resource-efficiency and pollution-prevention principles as part of the project policy, in accordance with the principles of cleaner production.[3]

8. Throughout the different phases of the project's lifecycle—planning and design, construction, commissioning, operations and decommissioning—the borrower assesses and evaluates resource-efficiency and pollution-prevention techniques and implements them, taking into consideration their technical and financial feasibility and cost-effectiveness.[4]

9. The borrower or client avoids or, where avoidance is not possible, controls and reduces the generation of pollutants at their source.

10. The borrower or client prevents the discharge of pollutants into the air, surface water and groundwater, land and soil during planned activities as well as unplanned events or emergencies that may result in local, regional, and transboundary impacts. If total prevention is not feasible, the borrower or client takes specific actions to reduce or minimise the effluents or volume of discharges.

11. As part of project preparation, in the environmental and social assessment the borrower or client evaluates the potential impacts of pollutant discharges and resulting ambient concentrations to the environment, considering potential receptors, and assesses the following:

- Environmental carrying capacity;
- Land use (current and future), soils, and agriculture;
- Surrounding communities and poverty conditions;
- Local, regional, and transboundary potential impacts;
- Proximity to environmentally sensitive areas and populations;
- Proximity to surface and groundwater sources;
- Current and future water body use; and
- Potential cumulative impacts.

C.2 Waste management

12. The borrower or client avoids or, where avoidance is not possible, controls and reduces the generation of hazardous and non-hazardous waste at source, in compliance with applicable international conventions. If waste cannot be recovered or reduced, the borrower or client adopts treatment measures and environmentally sound disposal practices.

13. At the early stages of the project and in accordance with applicable international treaties and best practices, the borrower or client identifies the potential hazardous waste to be generated

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[3] *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 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 (*IFC EHS Guidelines (Guidance note No. 3)* and *UNEP).*

[4] *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 (*IFC PS 3).*

throughout the project's lifecycle to determine cost-effective alternatives for its environmentally sound disposal.

14. If significant production, use or generation of hazardous materials or waste cannot be avoided, the borrower or client, in consultation with potentially affected workers and communities, prepares a management plan in the framework of a lifecycle assessment (transport, handling, storage, recycling and disposal), incorporating management and reporting practices and including preventive and contingency measures. In particular, the borrower or client looks at opportunities to recycle waste and reuse material by preparing a recycling and reutilisation plan identifying recyclable material and assessing the potential for reinjection of waste in the process. If third parties are to be used for hazardous waste management and disposal, the borrower or client evaluates their legitimacy and legality for conducting hazardous waste management activities and obtains the chain-of-custody documentation. Hence, the borrower or client is responsible for ensuring that the third party complies with the rules of the Basel Convention.

C.3 Greenhouse gas emissions

15. The Bank will develop and pilot a tool to track greenhouse gas (GHG) emissions in accordance with the provisions of the UNFCCC, without prejudging current negotiations under the Convention. Upon completion of the GHG tracking tool[5], the Bank will report ex-ante on GHG emissions estimated to be produced by the Bank's investments on a project-by-project basis and will report on GHG emissions (gross and net) in project documentation. The Bank will also report reductions in emissions achieved as a result of the Bank's investments. In reporting on GHG emissions the Bank will be guided by two principles:

- Full disclosure of information in line with its Disclosure and Access to Information policy.
- Graduated reporting: the Bank will initially report on emissions for all Category 1 operations (see OS1, Section C3) and will use the findings of the GHG tracking tool pilot to gradually refine and expand its reporting on GHG emissions.

C.4 Hazardous materials management

16. At the early project stages, the borrower or client determines the potential hazardous materials to be used or generated throughout the lifecycle of the project and considers alternatives that use or generate less hazardous materials. The borrower or client does not manufacture, trade, donate or use any chemicals that are banned or subject to phase-out by international treaties, including ozone-depleting substances and persistent organic pollutants.

C.5 Pesticide use and management

17. For projects that involve the use of pesticides, the borrower or client assesses the need for and, if appropriate, plans and implements an integrated pest management and/or an integrated vector management programme for pest-management activities for the full lifecycle of the project. The integrated pest or vector management programme should involve pest-control methods, including cultural practices, biological control, genetic control and, as a last resort, chemical means.

18. If pesticides are used for pest control, the borrower or client selects only 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 manages and disposes of 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.

[5] It is expected that the GHG emissions tracking tool will be finalised by December 2015.

19. In connection with the project, the borrower or client does not use, manufacture or trade in any chemical—including ozone-depleting substances and persistent organic pollutants—for which manufacture, trade or use is banned by an international treaty. The borrower or client does not use pesticides classified as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous).

C.6 Emergency preparedness and response

20. The borrower or client determines whether the project poses any operational risk of accident or emergency events, and assesses the options for responding to such situations. If appropriate, the borrower or client develops 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.

C.7 Resource efficiency

21. Borrowers or clients 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.

C.8 Staffing implications

22. For the appropriate management of all issues related to this OS, the borrower or client has the obligation to have permanent environmental health and safety staff with relevant experience, and a training action plan.

OPERATIONAL SAFEGUARD 5
LABOUR CONDITIONS, HEALTH AND SAFETY

A. Objectives

1. Labour is one of a country's most important assets 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 for borrowers or clients to protect the rights of workers and provide for their basic needs.

2. The specific objectives are to:

- Protect workers' rights;
- Establish, maintain, and improve the employee–employer relationship;
- Promote compliance with national legal requirements and provide supplemental due diligence requirements where national laws are silent or inconsistent with the OS;
- Align Bank requirements with the ILO Core Labor Standards, and the UNICEF Convention on the Rights of the Child, where national laws do not provide equivalent protection;
- Protect the workforce from inequality, social exclusion, child labour, and forced labour; and
- Establish requirements to provide safe and healthy working conditions.

B. Scope of application

3. This OS applies to investments in both the public and private sectors in which the Bank is a direct contractual partner. Its applicability is established during the environmental and social assessment process.

C. OS requirements

C.1 Working conditions and management of worker relationship

4. *Human resources policies and procedures*. When the borrower or client intends to employ a workforce for a project, it develops and implements a human resources policy and procedures appropriate to the nature and size of the project, with the scale of the workforce in alignment with this OS and with applicable national laws.

5. The borrower or client provides 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 at least the following areas: working hours, wages and benefits, rest periods, overtime arrangements, leave entitlement for illness and maternity/paternity, and grievance mechanisms.

6. *Working conditions and terms of employment***.** Where the borrower or client is party to a collective bargaining[6] agreement with a workers' organisation, it respects that agreement. Where such agreements do not exist, or do not address working conditions and terms of employment, the borrower

[6] The term *collective bargaining* extends to all negotiations that take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more workers' organisations, 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 organisations and a workers' organisation or organisations (*ILO Collective Bargaining Convention, 1981)*.

or client provides reasonable working conditions[7] and terms of employment that, at a minimum, comply with national law and are otherwise consistent with this OS.

7. Migrant workers are employed in accordance with local laws and on comparable terms and conditions as non-migrant workers who are employed in similar work.

8. Where the borrower or other third parties directly or indirectly provide residential or temporary accommodation to workers, facilities shall provide all basic services,[8] including water and sanitation; in certain cases, medical care should also be provided. The services are provided in a manner consistent with the principles of non-discrimination and equal opportunity.

9. *Worker's organisations*. The borrower or client shall allow workers to form, join, and participate in workers' organisations, such as trade unions or alternative organisations of their own choosing, to express their joint requests and grievances and protect their rights regarding working conditions and terms of employment. The borrower or client shall not seek to exert influence on or try to control these workers' organisations.

10. The borrower or client shall allow workers to freely elect their own representatives and to engage in collective bargaining. Within the employment relationship, the borrower or client shall engage with workers' representatives and workers' organisations, and provide them with the information needed for meaningful negotiation in a timely manner. The borrower or client shall not discriminate or retaliate against workers who participate, or seek to participate, in such organisations and engage in collective bargaining.

11. *Non-discrimination and equal opportunity.* The borrower or client does not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements, including race, gender, nationality, religion or belief, disability, age, sexual orientation, or ethnic, social and indigenous origin.[9] The borrower or client bases the employment relationship on the principle of equal opportunity and fair treatment, and does not exclude or discriminate against employees with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (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.

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[7] Reasonable working conditions and terms of employment could be assessed by reference to (i) conditions established for work of the same character in the trade or industry concerned in the area/region where the work is carried out; (ii) collective agreement or other recognised negotiation between other organisations of employers and workers' representatives in the trade or industry concerned; (iii) arbitration award; or (iv) conditions established by national law.

[8] 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.

[9] 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' organisations, 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 (*ILO).*

12. The borrower or client takes special measures to address harassment, intimidation, and/or exploitation, especially in relation to women. The borrower or client also prevents social exclusion of or employment inequalities to women and workers with family responsibilities and, to the extent possible, allows employment not to conflict with family responsibilities.

13. When national laws are silent on non-discrimination in employment, the borrower or client meets the requirements of this OS. Where national law is inconsistent with this OS, the borrower or client should endeavour to carry out its operations consistent with this OS and/or ILO standards, without contravening applicable laws.

14. *Retrenchment.* When the borrower or client proposes to implement collective dismissals, it conducts an analysis of alternatives to retrenchment. If the analysis does not identify alternatives to retrenchment, the borrower or client develops and implements a retrenchment plan to mitigate the adverse impacts of retrenchment on workers. The retrenchment plan is based on the principle of non-discrimination and reflects the borrower's consultation with workers, their organisations and, where appropriate, the government. The borrower or client complies with all legal and contractual requirements related to notification of public authorities, and provides information to and consults with workers and their organisation. The borrower or client complies with national laws in terms of supplying severance payments and benefits.

15. *Grievance and redress mechanisms.* The borrower or client ensures that a workforce grievance mechanism is permanently available to workers (including workers supplied by third parties) and their organisations to raise reasonable workplace concerns in a transparent manner without fear of retribution. The grievance mechanism is made known to workers at recruitment. The mechanism does not impede access to other judicial or administrative remedies that might be available under the law or through existing arbitration procedures, nor does it substitute for grievance mechanisms provided through collective agreements.

C.2 Protecting the workforce

16. *Child labour*. The borrower or client does 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 or physical, mental, spiritual, moral, or social development as stipulated in national laws in compliance with the provisions of ILO Convention C138 and C182. All work is subject to an appropriate risk assessment and regular monitoring of health, working conditions, and hours of work.

17. *Forced labour*. The borrower or client does not employ forced labour—that is, 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 labour, such as indentured labour, bonded labour, or similar labour-contracting arrangements.

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

19. *Occupational health and safety*. The borrower or client provides the workers with a safe and healthy work environment, taking into account risks inherent in the particular sector and specific classes of hazards in the borrower's or client's work areas—including physical, chemical, biological, and radiological hazards.

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

- Identifying and minimising, 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 minimise 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.

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

22. *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 ascertains that the contractors, subcontractors, or intermediaries that 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. The borrower or client establishes policies and procedures for managing these contractors, subcontractors and intermediaries and monitors their performance in relation to the requirements of this OS. In addition, the borrower or client incorporates these requirements in contractual agreements with its contractors, subcontractors and intermediaries.

23. *Supply chains.* When there is a high risk of child labour, forced labour, or significant occupational, health or safety issues, the borrower or client considers the adverse impacts associated with supply chains. In the primary supply chains, the borrower or client identifies any such risks, consistent with the requirements of this OS, and takes appropriate steps to address them.

24. When there is a high risk of these issues, the borrower or client continuously monitors the primary supply chain and introduces procedures and mitigation measures to ensure that primary suppliers are taking steps to prevent or to correct imminent danger, death or serious harm to workers. When the borrower or client has an insufficient level of management control or influence over its primary suppliers to enforce these remedies, over time it shifts the project's primary supply chain to suppliers that can demonstrate that they are complying with this requirement.