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SAFEGUARD POLICIES: IMPROVING DEVELOPMENT EFFECTIVENESS
20 MARCH 2002 DISCUSSION AT ESSD COUNCIL LUNCH

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Organization and Management Records - Safeguard Policies - Improving Development Effectiveness - Discussion at ESSD Council Lunch - Correspondence File - March 20, 2002

2 themes →

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Location: MC4-W150
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cc:
bcc: Nenuca Munoz Robles/Person/World Bank@WorldBank

what is their profile

** who are the future leaders*

** criteria for promotion!*

*"served in poor & most challenges
areas":*

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Description:

AGENDA



1. Issues Note - Katherine Sierra (see John Waterston's EM of Jan. 15th attached)
2. Safeguard Policy (paper to follow)

+++++

John Waterston

01/15/2002 07:18 PM
30330 HRSN3

To: Rajesh Vidyasagar
cc: Katherine Sierra, Ann E. Rennie-Hrs, Essd Management Team, Kevin M. Cleaver, L. Marianne Cabraal, Mee Lin Chan, Julianne A. Kouame, Margit Anneli Sexton
Subject: ESSD ISSUES NOTE:
Network Responsibilities for Quality of Technical Staff & Managers

ESSD ISSUES NOTE:

NETWORK RESPONSIBILITIES FOR QUALITY OF TECHNICAL STAFF AND MANAGERS

The HR policy issues highlighted below have been raised and discussed by the ESSD Management Team. We would be glad to collaborate with others in helping HRS maintain, develop and implement HR policies that promote the long-term health of our Institution.

A. Need to Revisit Network Council & Sector Board Responsibilities in Reviewing Sector Manager/Director Candidates

1. Which Qualifications Should Councils and Sector Boards Assess?

Asking Sector Boards and Network Councils to focus only on whether candidates are technically qualified for Sector Manager and Sector Director positions yields unrealistically narrow assessments, and fails to capitalize on Sector Board and Council members' first-hand knowledge of candidates' performance. If HRS is to get the full benefit of Sector Board and Council members' knowledge of candidate qualifications, Board members would need to consider managerial as well as technical skills in assessing Sector Manager candidates. For Sector Director positions, Council members would need to consider strategic vision as well as managerial and technical skills in assessing qualifications of candidates.

In summary: with each increase in the managerial responsibilities of technical positions, there is a corresponding increase in the range of skills required for effective performance:

<i>Technical Position:</i>	<i>Range of Skills Required for Effective Performance:</i>		
Lead Tech. Specialist	In-Depth Technical Expertise in the Sector		
Sector Manager	Technical Skills	Managerial Skills: (People, Budgets)	
Sector Director	Cross-Sectoral Skills	Managerial Skills	Strategic Vision

Councils and Sector Boards should look beyond the qualifications of individual candidates to consider the qualifications of the proposed management team. Team members can be selected to complement each other with technical and managerial skills and strategic vision, resulting in strong leadership through a combination of skills and experience not possessed by any one individual.

Councils and Sector Boards need to ensure that they do not hold managerial candidates from within the Network or Sector to higher standards of technical expertise than those they apply to candidates from other Networks. This is more readily achieved if Councils and SBs assess managerial skills and strategic vision, as well as technical expertise, for managerial candidates.

2. An emerging issue: credibility of Network clearances of sector staff for promotion to senior technical positions

In asking Sector Boards and Network Councils to assess the technical qualifications of candidates for promotion to senior technical positions, Management assumed that Sector Board and Council members would be among the most highly qualified technical staff in the Bank. The recent trend towards the appointment of generalists to Sector Manager and Director positions, however, calls this assumption into question. While generalist managers may be better able to foster cross-sectoral collaboration and integration, they typically lack the in-depth technical knowledge and experience that Networks demand of Lead Technical Specialists and Senior Advisers at Levels GH and GI. Yet these generalist managers, as members of Sector Boards and Network Councils, are involved in determining whether technical staff merit promotion to senior technical positions.

This may call into question the credibility of the Networks' commitment to technical excellence, and may further weaken the incentives for sector staff to remain in the technical stream. To counteract this perception, Sector Boards and Councils should ensure that their reference checks include the views of acknowledged technical experts, and that these views are given due weight in Sector Board and Council decisions on promotion to senior technical positions.

pressure - (headcount) → recruitment (and) → technical depth

3. What weight should be given to Sector Board and Council assessments of managerial candidates' qualifications?

Do the managerial candidate assessments of Network Councils and Sector Boards constitute **advice** to shortlist committees? Or are the Networks **clearing** those candidates for sector manager positions who meet minimum technical standards, and who can then (and only then) be considered by a shortlist committee?

If Councils and SBs clear only technically qualified candidates for managerial positions, they can be (and have been) accused of focusing too narrowly on one subset of qualifications necessary for success in a managerial position, thereby preventing shortlist committees from considering other candidates who are managerially or strategically strong. On the other hand, if Councils and Sector Boards clear sector manager and director candidates based on assessments of their technical expertise, managerial skills and strategic vision, they will be duplicating the function of the shortlist committee. We don't need two rounds of clearances based on the same criteria.

One solution would be to replace shortlist committees for Sector Manager and Director positions with "principals only" meetings of Sector Boards and Network Councils, possibly adding one or two representatives of otherwise unrepresented groups (e.g. an ACS staff member) to emulate the composition of HRS' managerial shortlist committees. This could strengthen the Networks' role in the selection of Network managers, while reducing the workload of the LAMP Team in HRS.

If Council and SB assessments are considered advisory to managerial shortlist committees, Council and Sector Board members need to be consistently and sufficiently represented on Shortlist Committees so that their assessments are seriously considered.

B. Effects of Differing Regional and Sector Priorities and Headcount Concerns on Maintenance of Technical Skills

Although a number of Sector Strategy Papers have been completed in ESSD (in extensive consultation with the Regions) there remains a lack of congruence between Bankwide Sectoral objectives vs. Regional and country priorities. There is also a tension on timing: between the skills identified in the sector strategy papers as needed in the medium and longer term vs. the skills required to carry out current work program needs. The current headroom constraints leave regional SMUs with little flexibility to recruit staff who may be needed in the medium term but would not contribute immediately to short term skill requirements of the work program. With its subsidies for new recruits' first year orientation, HRS' Technical Professionals Recruitment Program can overcome the disincentive of doubled staff costs to encourage the advance recruitment of anticipated skills, even before vacancies occur. This program does not, however, address the disincentive of increased headcount during the period of advance recruitment.

C. Technical Excellence at Headquarters

In light of current headroom constraints, country units are increasingly asking for technical generalists and integrators who can handle a multiplicity of tasks. They are less interested in seeing SMUs fill their vacancies with senior technical specialists. If country units propose job descriptions which dilute the need for technical excellence in favor of generalists and integrators, there is the potential to adversely affect the technical strength of SMUs. Our Sector Boards recognize that generalists and integrators play an important role in fostering cross-sectoral collaboration (e.g., between Rural and Urban; Environment and Energy). However, this should not be at the expense of the technical strength of the sector. Networks can help in encouraging technical specialists to develop cross-sectoral and integrative skills, and we would encourage this trend. At the same time, we recognize that generalists with no grounding in a technical discipline are unlikely develop strong technical skills through their Bank experience.

D. Issues with Decentralization

There are both positive and negative consequences of increasing the numbers of local recruits in country offices. The key is to strike the correct balance tailored to each country/Region. Local

3 year
annex
↓
[saves
+ skill
pattern]
↓
small
ranges
↓
stable
development

what's decentralization strategy? → knowledge
unfunded mandate
B) extend recruitment → small TF
HRS = role of anchor "gateway"
"strategic mentoring"

this on this
C) morphy
w) need to understand

recruits in country offices have the distinct advantage of being able to understand the nuances of their country's political and development issues. This clearly facilitates the Bank's work. They are also significantly less expensive to recruit and retain, since they are on local appointments with local salaries and benefits.

On the negative side, local recruits tend to have a narrow perspective, since often their experience is limited to one country and/or region. It is difficult to determine the effectiveness of local recruits in dealing with their counterparts in government, and whether the Bank's message loses its impact in delivery. It is too early to ascertain whether local recruits handling project work can appropriately deal with sensitive issues such as safeguards and compliance. Do they have the objectivity? Can they give difficult messages to their own country's government officials? Are there potential dangers of corruption?

A substantive part of the Bank's work is handled through Donor Trust Funds. Has there been adequate consultation to ascertain whether donors are comfortable with increasing the ratio of local recruits to carry out work funded by Trust Funds? What will be the impact if some donors wish to impose constraints on the need for international expertise for staff recruited under such trust funds?

How do local recruits maintain their technical edge? How do they remain in touch with state of the art developments? If local recruits increasingly become the main technical interface with clients, we will need to invest significant funding and management effort to enable them to gain cross-country and multi-regional experience. This is possible when, as is the case in FY02, Regional budgets are ample. The constructive initiatives we are seeing this year to give local staff the training and experience they need to will need to be expanded and maintained over the long term, and both international recruits and local staff must be supported by a comprehensive and easy-to-access knowledge bank of lessons learned from Bank operations worldwide. Otherwise, we run the risk that Bank will be seen as having lost its capacity to provide technical leadership based on cross-country, cross-regional experience -- the Bank's unique advantage. With our relatively high cost of doing business, such a decline could adversely affect the Bank's long-term viability.

(N.B. Given the relative lack of Regional budget constraints this year, some regions may decide to decentralize Internationally recruited technical staff, absorbing their significantly higher costs. These staff should be charged with building up the cross-country experience of local recruits so that, if budgets are constrained in future years, they would have the training and experience needed to provide a comparable alternative to International staff.)

We suggest that HRS facilitate the exchange of good practice to ensure that development plans are in place to provide local staff with broader (i.e. multi-regional) experience. Are such career development programs feasible on a larger scale if decentralization continues? If our career development efforts are successful, how will we manage expectations of local staff who have or acquire international experience, and would then expect to be converted to international appointment terms (at significantly higher cost to the Bank)?

There is also a more fundamental question on decentralization which should be addressed now: Where would a continuing trend to decentralization take the Bank? The many benefits of being "close to the client" are clear: faster response time, better understanding of government priorities, political realities and the socio-cultural context, etc. But how would the Bank's attractiveness as an employer change if, for example, 60% of the Bank's staff are ultimately in Country offices? In this scenario, we would no longer be bringing internationally recruited staff back to HQ after one or two Field assignments. Instead, many staff would reassign from one overseas post to another, with occasional rotations to Washington -- following much the same model as a Foreign Service or the UNDP. As a result, dual career families where both spouses work in the development field might well find a Bank career especially attractive while their children are young or after they reach adulthood. On the other hand, many other potentially strong candidates might not find a succession of Field postings financially viable, fulfilling of both spouses' career aspirations or helping to build their children's sense of identity.

If the Bank becomes a largely decentralized organization, almost every aspect of this Institution would be profoundly affected. Our suggestion is that we not let such a shift occur incrementally. Before going further down this road, we need to think through its implications for the Bank's long-term attractiveness as an employer and its ongoing effectiveness as the world's leading development institution.

E. Imbalance in Incentives for Technical vs. Managerial Careers

While there is a clear message from the Networks that technical excellence is to be protected, there are more incentives/rewards in moving up the managerial ladder. The high-status and visibility post in the Bank today is that of Country Director. (It is also not lost on technical staff that there are far more CD positions than SD jobs.) Many technical leaders, therefore, choose to move into the CD managerial stream. There is little incentive to remain a technical leader, nor a corporate strategy to retain them. In the regions, there is little incentive for staff to work on corporate issues, even those identified by the President. The incentives (e.g., reporting relationships) favor a focus on regional operational work. If technical excellence is to be maintained and nurtured, corporate messages and incentives must make senior technical and sector manager positions attractive.

The collapsed grade structure has made it significantly more difficult to fill middle management positions with strong technical staff. The conversion of these staff members' grades from Level 25 to Level GH effectively eliminated the incentive of promotion to compensate for the significant people-management responsibilities of the Sector Manager position. And with Country Directors holding the bulk of regional budgets and focusing on country needs and priorities, it has become significantly more difficult for Sector Managers to achieve the Bank's declared sectoral priorities (e.g., millennium goals). The Bank's internal market is speaking clearly on this issue: for one Sector Manager vacancy after another, shortlist committees have faced a dearth of qualified applicants. This inability to attract staff who have both technical and managerial potential into positions of Sector Manager has a domino effect, since these positions play a key role in providing technical leadership to staff in the SMUs.

We therefore see a need to rebalance the power/influence structure of the matrix between CMUs and SMUs within the Regions. Not to do so has potentially adverse implications for the Bank's capacity to provide borrowers with high-value technical advice and oversight.

- recognition }
- incentives } →

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IMPROVING DEVELOPMENT EFFECTIVENESS
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of country dialogue - yes but not to let staff off the hook?

2. CODES - outside
↳ - "interl"

of - policy - open door not just to borrow

2 weeks
5 hours
1 week

SAFEGUARD POLICIES:

IMPROVING DEVELOPMENT EFFECTIVENESS

of objectives & principles = are objectives
- quality
- regulation

ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE DEVELOPMENT

AND

OPERATIONS POLICY AND COUNTRY SERVICES

MARCH 15, 2002

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Join

consensus

supervision / implementation

sector-wide

positive impact:

reform of safeguards
- harmonization - sufficient

benefits
not in many
countries high
quality

boundary rule → include
WFP

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ACRONYMS

AfDB	African Development Bank
BDI	Bilateral Development Institution
BP	Bank Procedure
CAS	Country Assistance Strategy
CDD	Community-Driven Development
CEA	Country Environmental Analysis
CLEIAA	Capacity Development and Linkages for Environmental Impact Assessment in Africa
CODE	Committee on Development Effectiveness
CPAR	Country Procurement Assessment Report
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
ECA	Export Credit Agency
ENV	Environment Department
ESSD	Environmentally and Socially Sustainable Development
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IFC	International Finance Corporation
LEG	Legal Vice Presidency
METAP	Mediterranean Environmental Technical Assistance Program
MFI	Multilateral Financial Institution
MFI-WGE	Multilateral Financial Institutions Working Group on Environment
MIGA	Multilateral Investment Guarantee Agency
NCB	National Competitive Bidding
NGO	Nongovernmental Organization
OD	Operational Directive
OP	Operational Policy
OPC	Operations Policy Committee
OPCS	Operations Policy and Country Services
OPN	Operational Policy Note
PRSC	Poverty Reduction Support Credit
QACU	Quality Assurance and Compliance Unit
QAG	Quality Assurance Group
SAEIA	Southern African Institute for Environmental Impact Assessment
SEA	Strategic Environmental Assessment
SECAL	Sector Adjustment Loan

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SAFEGUARD POLICIES: IMPROVING DEVELOPMENT EFFECTIVENESS

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SAFEGUARD POLICIES: IMPROVING DEVELOPMENT EFFECTIVENESS

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I. INTRODUCTION

1. The World Bank's environmental and social safeguard policies are vital to its work on poverty reduction and sustainable development. These policies require that potentially adverse environmental impacts and selected social impacts of Bank-financed projects be identified, either avoided or minimized to the extent feasible, mitigated, and monitored. These policies are intended to improve project outcomes and reduce potential risks in project implementation. Although the Bank has had environmental and social policies for more than 20 years, management first articulated the concept of safeguards in 1997, in order to stress the importance of a specific set of policies in an operational context. Since then compliance with safeguard policies has improved.¹

2. *Purpose and Organization of this Note.* This note addresses a central issue raised by Executive Directors in recent discussions—that is, how to further improve and sustain the development impact of the Bank's environmental and social safeguard policies.² The Bank's broader environmental and social agenda are discussed in the Environment Strategy Report,³ and are being considered in the Social Development Strategy formulation process and in the work on a proposed social analysis policy.⁴ Environmental and social issues are also covered in the note leading up to a new operational policy on adjustment lending. Detailed measures to implement the proposals in this note will be further developed in follow up work, once approaches are agreed. Following this introduction, Section II briefly describes the Bank's current safeguards framework and key issues relevant to the effectiveness of the safeguard policies. Section III presents proposals for action, including the adoption of an approach partly borrowed from procurement, and their implications. Section IV summarizes benefits and risks, next steps, and issues for discussion.

II. THE WORLD BANK'S CURRENT SAFEGUARDS FRAMEWORK

3. Today, the World Bank's safeguard system, covering the ten safeguards policies listed in Box 1, is implemented by the Bank's Regions, with coordination and oversight support from the Quality Assurance and Compliance Unit (QACU) which is located in the Environmentally and Socially Sustainable Development (ESSD) Network. In addition, the Bank's Quality Assurance Group (QAG) reviews compliance with safeguard policies in its quality at entry and quality of supervision reports, and an Inspection Panel established in 1993 provides a mechanism for independent review of Bank compliance with the provisions of its policies. Building on

¹ See *Environmental and Social Safeguard Policies: Status Report and Implementation Action Agenda* (R2000-192), October 25, 2000 and *Environmental and Social Safeguard Policies: Implementation Action Plan—Status Report*, February 2002.

² The note is complemented by a progress report and an Internal Audit Department evaluation confirming significant progress in on-going efforts to further strengthen the safeguards framework. See *Report on a Review of the Implementation of the Integrated Safeguard Compliance System*, Report No. IBRD FY02-18, November 12, 2001.

³ *Making Sustainable Commitments—An Environment Strategy for the World Bank*, ESSD, World Bank, December 2001.

⁴ The note does not cover IFC and MIGA. Implementation of safeguard policies by IFC/MIGA is under review by the Compliance Advisor/Ombudsman.

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initiatives begun in 1998,⁵ Management took action during 2000 and 2001 to improve internal controls through enhanced risk assessment, review, and clearance and sign-off procedures; strengthened staffing, funding and reporting mechanisms; and improved procedures for consistent application of the safeguards across Regions. In spite of progress in implementation, a number of internal and external factors to the Bank underscore the need for a critical look at broader issues including the coherence, coverage, and development impact of safeguard policies; their applicability in a changing lending environment; and their responsiveness to client needs.

Box 1. World Bank Safeguard Policies

OP/BP 4.01	<i>Environmental Assessment</i>
OP/BP 4.04	<i>Natural Habitats</i>
OP 4.09	<i>Pest Management</i>
OP/BP 4.12	<i>Involuntary Resettlement</i>
OD 4.20	<i>Indigenous Peoples</i>
OP 4.36	<i>Forestry</i>
OP/BP 4.37	<i>Safety of Dams</i>
OPN 11.03	<i>Cultural Property</i>
OP/BP 7.50	<i>Projects on International Waterways</i>
OP/BP 7.60	<i>Projects in Disputed Areas</i>

A. Overall Clarity, Coherence, and Consistency

4. Safeguard policies provide a framework to evaluate many types of environmental impacts, but only a limited set of social impacts with an emphasis on resettlement and indigenous peoples. While the recent policy conversion process from Operational Directive (OD) to Operational Policy/Bank Procedure (OP/BP) format has improved the clarity of individual environmental and social safeguards statements, a number of issues remain. These include the following:

- (a) *Coherence Across Safeguards.* Although the Bank's environmental and social safeguard policies embody common principles,⁶ there are some remaining inconsistencies among them. The statements differ in core requirements, provisions for public consultations, degree of coverage of negative social impacts, lending instruments to which they apply, clarity about exemptions, and the level of guidance given to staff (see Annex A for details). This reflects both differences in impacts to be addressed and the historical reality that these policies were not originally designed to be part of a tightly integrated and coherent suite of statements.

⁵ See *World Bank Operational Policy Reform: Progress Report* (CODE98-13), March 5, 1998, giving particular attention to the evolving framework for safeguard policies.

⁶ For example, all require that (a) potential adverse environmental impacts affecting natural ecosystems human health, and the global commons and specific social impacts should be identified and assessed early in the project cycle; (b) timely information about potential adverse impacts should be provided to stakeholders, who should have the opportunity to comment on both the nature and the significance of impacts, and proposed mitigation measures; (c) unavoidable adverse impacts should be minimized or mitigated to the extent feasible; and (d) the borrower has primary responsibility for policy implementation, but may obtain support from the Bank for strengthening its systems and capacity to do so.

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- (b) *Applicability Across Instruments.* Current safeguard policies generally do not apply to adjustment lending.⁷ Indeed, existing policies were developed primarily for traditional investment projects, which are typically narrow in scope, finance specific expenditures, and are geographically circumscribed. They are not well suited to adjustment lending, including poverty reduction support credits (PRSCs), that typically involves economywide, lagged, and uncertain effects of broader policy reforms. They are also not well suited to some variations of investment lending with multiple subprojects, including social funds, or to community-driven development (CDD) projects.
- (c) *Specificity of Requirements.* The specificity of individual Bank safeguard requirements makes it difficult for some borrowers to mainstream them within their own legal and administrative frameworks, and in their own development programs. At the same time, these requirements provide a framework for addressing environmental and social outcomes in projects with potentially significant adverse impacts. These also help to reduce reputational risks to the Bank.

B. Country Priorities, Systems, and Capacity

5. Consistent with the shift in the development paradigm toward country ownership and development results, the Bank's safeguards approach needs to evolve further because of the following:

- (a) *Changing Country Issues.* Increasingly, Bank clients face different types of issues (e.g., economic reform, privatization, conflict, and displaced peoples) and the different environmental and social impacts that may come with them.
- (b) *Variations in Client Capacity.* After more than a decade of concerted environmental and social awareness and capacity building, there is now a great deal of diversity among countries, and among agencies and enterprises within countries, in their interest, commitment, and capacity to deal with environmental and social impacts and issues. But to date, these differences have not been reflected in our approaches to safeguard implementation, which on occasion has introduced redundancies in more capable countries, and diverted attention and resources from concerted capacity building in countries that need ongoing support. At the same time, the Bank needs to invest more in the development of client capacity to promote internal ownership and commitment to the principles of safeguard policies (see Box 2 for examples).
- (c) *Differences in Performance.* Current procedures and approaches do not recognize or reward good performance by clients in addressing safeguard issues, nor do they provide strong incentives or benchmarks for the progress of countries, or agencies and enterprises within countries, to enhance their own policies and institutions on

⁷ OP 4.01 and OP 4.09 apply to SECALs.

This is not consistent w/ Ian's message it's not about reputational risk to Bank

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a systematic and sustained basis. Bank oversight and scrutiny, and benchmarks for results are similar, regardless of country track record or capacity.

Box 2. Client Capacity Building—Representative Examples

Africa. Following a high-level meeting of Environment Ministers in Nairobi, the Region developed a comprehensive strategy for Environmental Assessment (EA) capacity development in Sub-Saharan Africa based on the preferences expressed in the ministerial meeting. From this initiative a new Africa-based program emerged. One element of this is a program called Capacity Development and Linkages for Environmental Impact Assessment in Africa (CLEIAA). Based in Ghana's environmental protection agency, this group will serve as a help-desk to strengthen networking, cooperation, and collaboration in EA capacity building in African countries. In addition, a new center of excellence, the Southern African Institute for Environmental Impact Assessment (SAEIA) in Namibia, has been established to provide professional EA training.

Europe and Central Asia/Middle East and North Africa. In 1998, the Mediterranean Environmental Technical Assistance Program (METAP) initiated an Environmental Assessment Institutional Strengthening Project through the World Bank's Development Grant Facility, to assist Mediterranean basin countries in acquiring the necessary technical and policy tools to establish credible and operational EA systems. EA systems in Albania, Croatia, Egypt, Jordan, Tunisia, Turkey, and the West Bank and Gaza were assessed, and the results were used to define specific action plans to improve national EA systems and to increase their coherence with international norms, and World Bank guidelines and European Union directives. A second phase, initiated in 2000, established an EA Center in Tunisia; extended the assessment of EA systems to Algeria, Lebanon, Morocco, Syria, and Yemen; undertook collaborative workshops; and established a network of EA Directors.

All Regions and a large number of Bank-supported country programs have capacity-building programs in place.

C. Partnerships

6. The Bank's safeguards policies systems do not exist in isolation. They influence, and are influenced by other Bank policies and programs, the policies of clients and other financing institutions, and the growing activities of the private sector. As the approach to development shifts toward more partnerships, the Bank's environmental and social safeguards will come face to face with the following:

- (a) *Differences in the Requirements of Financing Institutions.* Like the World Bank and many of its clients, most multilateral and bilateral partners have environmental and social policies. However, a recent survey⁸ found that even in areas that are broadly agreed, there are significant differences in the specific requirements of these policies and procedures, and the diligence with which they are applied. While most institutions have policies covering both environmental and selected social impacts, there is less consistency among institutions on requirements for analysis of alternatives, consultation, disclosure, occupational health and safety, and core labor standards.⁹

⁸ The survey was coordinated by the IFC and covered the private sector lending of multilateral financial institutions (MFIs), bilateral development institutions (BDIs) and export credit agencies (ECAs). In total 65 institutions were invited to participate in the survey and 42 responded.

⁹ These are institutional responses. The data have not been independently verified. The participation rate was higher among MFIs and BDIs, than ECAs, and it is likely that many of the ECAs that did not respond do not have explicit environmental and social requirements.

- (b) *The Growing Role of the Private Sector.* Not only has the private sector become a powerful force for development, but firms and enterprises face increasing pressures to adopt environmentally and socially sound policies and practices. These pressures come from increased public scrutiny, incentives for self-regulation, changing consumer behavior (putting a premium on environmentally and socially sound products), and changing investor behavior (in favor of socially responsible investment). While such influences are in an early stage of development, it is clear that leading institutions in the private sector can, and in some cases do, play an important role in developing the ground rules for “corporate responsibility.”

III. THREE-PRONGED APPROACH

7. Addressing each of the three key issues raised above—greater coherence, stronger country ownership, and enhanced partnership—is warranted in its own right. Greater coherence and overall clarity would help staff and clients to more fully understand and embrace the rationale for the policies and their role in enhancing development outcomes. Stronger ownership of safeguard principles could lead countries to apply them beyond Bank-financed operations to the broader development portfolio where relevant, thereby significantly scaling up their beneficial impact. Enhanced partnerships among donors around common safeguard principles also has the potential to reduce the transaction costs for borrowers and facilitate client capacity building around these common principles. But addressing these three key issues in a coordinated way would also allow the proposed solutions on one issue to reinforce or facilitate actions on other issues.

A. Improving Overall Clarity, Coherence, and Consistency

8. To help communicate more effectively the importance and relevance of safeguards, and the principles that underpin and unite them, the paper recommends the following:

- (a) *Producing a brief overarching statement for the Bank.* This statement sets out and better communicates to staff, borrowers, and other stakeholders important objectives and principles of due diligence in identifying and addressing safeguard issues in Bank/country dialogues and projects. In such a statement important features of the safeguard system could be reinforced or clarified. This would allow a discussion about principles and approaches that could help with all the three directions outlined above (See Annex B).
- (b) *Clarifying social coverage within the EA process.* There is broad agreement within the Bank that adverse social impacts need to be identified and addressed. Further work is planned to clarify precisely which negative social impacts would be routinely addressed in the EA process, and which would be identified and addressed through other mechanisms, including the regular project identification and appraisal process, country social analysis, social assessments, poverty assessments, or poverty and social impact analyses for countries with a poverty reduction strategy.

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- (c) *Developing approaches to Bank adjustment operations.* Work is underway on the update of OD 8.60, *Adjustment Lending Policy*, and its conversion into an OP/BP format. This exercise is expected to address, among other issues, the treatment of environmental and social aspects in adjustment operations.
- (d) *Adapting safeguard approaches.* Work is already underway to adapt safeguard approaches to sector investment loans and investment lending with multiple subprojects (such as Social Funds and CDD operations). In the case of sector investment loans, the emerging approach involves the use of strategic and sectoral assessments and other types of environmental and social studies to identify critical issues and mitigation options. The approach being developed for Social Funds and CDD is based on project-level frameworks for review of environmental and social safeguard issues.
- (e) *Clarifying the rules for dealing with special circumstances.* Here the work would involve developing procedures to be used by ESSD/QACU and the Regional Safeguards Units to address issues, such as emergency projects and other types of situations that arise during the course of Bank operations.
- (f) *Consolidating and updating best practice guidance.* This work program would identify and implement priority actions for developing and updating materials, and translate and disseminate guidance. This would include information on good practices for sectorwide safeguard assessments.
- (g) *Strengthening training.* A key priority would be to strengthen field-based staff, both international and locally hired, so that they can assume a significantly expanded role in overseeing project preparation, review, and supervision; lead safeguard policy-related technical and training activities; and monitor pilot programs. This would be complemented by efforts to strengthen the capacity of cooperating governments, consulting firms, and private sector interests.

B. Fostering and Rewarding Country Ownership

9. There is general agreement that the greater benefits of safeguards—and of attention to environmental and social impacts in general—can only be realized and sustained if borrowers have the willingness, capacity, and resources to address these issues in their own development programs. This reflects, in part, a shift in the development paradigm from a focus on the quality of individual projects toward the effectiveness of country programs and toward greater client ownership, partnerships, and results. Such a shift can be accomplished through increased emphasis on strengthening national policies and capacity building on safeguard issues. While there is broad support for such a shift, just how such an approach would be applied in the area of safeguards has not been outlined before. Such an approach is proposed below.

10. The proposal builds on capacity development, which has already occurred in client countries, and borrows, in part, from the approach to procurement that assesses client capacity in order to determine whether local procedures can be used—with country-specific adjustments—in Bank-financed projects (see Annex C). In particular, it involves building and utilizing borrower

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systems and procedures, tailoring Bank oversight to variations in client capacity and performance, and putting more effort into important programs and weaker countries while delegating responsibility and accountability to clients with good environmental and social track records. This would require the following:

- (a) *Improving assessment of safeguard issues* at the country and sectoral levels, including capacity constraints and capacity-building needs, and developing benchmarks and incentives for improvement.¹⁰ It would also require improving instruments for upstream analysis, including country environmental analyses (CEAs), strategic environmental assessments (SEAs), and sectoral environmental assessments—as agreed in the recent Environment Strategy Report¹¹—as well as poverty and social analyses, country or sectoral social analyses, and other upstream studies to identify social opportunities, constraints, and risks.
- (b) *Providing targeted support to strengthen capacity* at the country and sectoral levels, based on the assessment of capacity constraints and capacity-building needs. This would focus on developing good practice modules and enhancing local skills in safeguard policy application and implementation.
- (c) *Delegating responsibility and accountability* to countries and/or agencies within countries that are good environmental and social performers, initially on a pilot basis and beginning with selected low risk projects in environmental assessment screening category B/safeguards screening category S2.¹² As with procurement, the approach involves relying on national systems for procurement below a specific threshold, when they are consistent with internationally recognized good practice (see Annex C) and would build on lessons from operations where delegation already occurs.¹³
- (d) *Exploring options for certification*—work has been initiated on development of a mechanism for certification of agencies, enterprises, and possible country systems with proven track records. While the feasibility of such measures has not yet been tested, a consultant report intended to identify possible models has been prepared, and further discussion on modalities and risks is proposed later in FY02.

¹⁰ To this end, the Environment Strategy has recommended using country environmental analyses (CEAs) with a strong focus on capacity assessment, and expanding strategic and sectoral environmental assessments (SEAs) to identify the priority issues which need to be addressed in sectoral programs and adjustment operations. Parallel work is occurring in the context of the Social Development Strategy preparation process to develop mechanisms to move social analyses upstream (e.g. through country social analysis) and focus on systemic issues.

¹¹ *Making Sustainable Commitments—An Environment Strategy for the World Bank*, op.cit.

¹² The Bank screens each proposed project to determine the extent and type of environmental assessment and categorizes them from A to C and FI if the project involves use of a financial intermediary. A proposed project is classified as Category B if its potential adverse impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be readily designed. The safeguards screening category S2 is used for proposed projects that present safeguard issues that are limited in their scope and impact and can be dealt with through established mitigation and monitoring measures.

¹³ Delegation of EA review already occurs in projects involving financial intermediaries where the capacity of the institution to ensure that appropriate EA procedures are followed is the focus of appraisal, and individual projects (other than projects classified as A in environmental screening), are reviewed on a sample basis by the Bank.

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11. Not only would these measures allow scarce resources to be applied to priority activities, they would provide incentives for improvement by providing clear goals and monitorable benchmarks that countries/agencies and enterprises/firms could work to achieve and for which they would be recognized.

C. Supporting Policy Harmonization and Partnerships

12. The final element of this three-pronged approach would involve the following:

- (a) *Supporting policy harmonization* by collaborating with partners and identifying and adopting basic principles of safeguard policy and practice to which most donors and clients can subscribe, and around which both donor and borrower capacity can be built.¹⁴ Such an initiative is already underway through the Multilateral Financial Institutions Working Group on Environment (MFI-WGE). A draft document covering important institutional practices, key elements of environmental assessment, and good practice in the environmental and social areas which environmental assessment routinely covers¹⁵ is under preparation. This document will not supercede the policies of individual agencies.
- (b) *Accelerating support for the development of client policies and procedures, and joining other donors and partners in supporting institutional strengthening and capacity building* around these common principles, developing benchmarks for progress taking account of a country's overall capacity, and incorporating measures of progress into the Bank's country policy and institutional assessments.
- (c) *Increasing attention to the private sector* by encouraging initiatives underway in IFC and elsewhere to involve the private sector in upgrading compliance and consider possible certification mechanisms for enterprises and firms with demonstrated track records. Third party certification, could provide significant incentives for multinational firms and enterprises to upgrade performance and provide models for domestic purposes.

IV. MOVING FORWARD

13. Although the measures noted above could be implemented separately, together they form a package intended to maintain due diligence, to support innovation, and to allow safeguards that are more easily assimilated into borrower perspectives and programs. There are both benefits and risks to the approach suggested.

¹⁴ Noting that "aid recipients cite differences in donor operational policies and procedures as the single most important impediment to the effectiveness of external development assistance" a report to the Development Committee in April 2001, called for donors to harmonize the requirements as one way of reducing the transaction costs of development assistance. Priority areas for harmonization included procurement, financial management and environmental assessment. The Committee encouraged all development partners to rely increasingly on the borrower government's systems, and help to strengthen these systems and processes where needed based on common good-practice approaches.

¹⁵ The MFI exercise covers environmental impacts, and social impacts such as resettlement and impacts on local communities and vulnerable groups. It recognizes that both environmental and social impacts should be covered in project assessments using qualified technical specialists and it recognizes that different institutions may have different mechanisms for doing this.

what are these other than
resettlement, cultural properties
↳ indigenous people —
which are not covered by EA.

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A. Benefits and Risks

14. **Benefits.** The primary benefit from a system focused on principles and mainstreamed in client countries would be to increase the breadth and depth of attention to environmental impacts and specific social impacts within our client's own development programs, thereby enhancing the environmental and aspects of social sustainability of borrower programs, as well as those financed by the Bank. A focus on the objectives and principles to be achieved, and more delegation to clients on how this would be done, would also place a premium on results rather than planning requirements, encourage innovation, and facilitate adaptation to realities on the ground. In addition, the measures proposed to harmonize policies would help articulate and disseminate the objectives of safeguards, and a common vision and stronger partnerships between clients and donors would also help improve ownership, accelerate capacity building, and reduce transaction costs.

15. **Risks.** As in all such initiatives, there are also important risks, both in terms of perceptions and results. Chief among these are the following:

- (a) The position of some shareholders and NGOs that the Bank may dilute its commitment to its safeguard policies as a result of this exercise;
- (b) The perception by clients that the Bank may be imposing more restrictions on a broader spectrum of programs, rather than supporting their efforts to enhance their own capacity and develop systems appropriate to their own circumstances;
- (c) The risk that delegation and or certification could occur with concomitant failure of implementation by the client; and
- (d) The concern that additional efforts to articulate, rationalize, and mainstream safeguards will detract from other development priorities.

16. **Risk Mitigation.** A number of measures have been incorporated into these recommendations to avoid or minimize these risks. First, a sustained effort will continue to be made to ensure compliance with safeguard policies within the Bank. Second, the donor harmonization effort explicitly states that it does not supercede the specific policies of participating institutions. However, a common foundation that is anchored in common principles would likely enhance understanding and responsiveness to donor and client environmental and social concerns. Third, failure in implementation is always possible, both for reasons that are avoidable and those which are not. Because development is complex and involves contending perspectives, there is no single approach that can ensure ideal implementation. This must be recognized while the client's own initiatives are encouraged and reinforced. Finally, to the extent that concern about safeguards is mainstreamed in client systems, singling them out for special attention and the associated risk averse behavior should be reduced.

B. Next Steps

17. Following discussion by the Operational Policy Committee (OPC), this note will be sent to Committee on Development Effectiveness (CODE) and the Executive Directors. Concrete

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actions for follow-up are summarized in Annex D. Work will continue on the MFI-WGE paper, including discussions at the World Summit on Sustainable Development to be held in Johannesburg in August/September 2002. This work is expected to culminate in further discussion and agreement among the participating international financial institutions by December 2002. Within the Bank, most policy-related initiatives will be managed by QACU for ESSD in collaboration with the Operations Policy and Country Services (OPCS) Vice Presidency. Regions will take the lead in implementing pilots and capacity building. IFC will have the primary responsibility for strategic work related to the private sector.

C. Issues for Discussion

18. Below are five key issues that the OPC and CODE might wish to discuss:

- *Is there agreement that improving coherence, fostering and rewarding country ownership, and supporting and facilitating harmonization should be key priorities of the safeguard reform work program going forward? Is there agreement on the timetable proposed in Annex D for completing this work?*
- *Is there support for the recommendation to begin, through carefully chosen pilot activities, to move toward an approach partly borrowed from procurement—involving building and utilizing borrower systems and procedures, tailoring Bank oversight to variations in client capacity and performance, while delegating responsibility and accountability to clients with good environmental and social track records?*
- *Is there agreement that the good practice principles being developed by the MFI Group as part of the harmonization work program, should be reviewed and discussed by Senior Management and the Executive Directors?*
- *Have the key risks associated with the proposed safeguard work program been correctly identified? Are the risk mitigation measures, including sustained effort to ensure compliance with existing safeguard policies and carefully selected pilot activities, appropriate?*
- *Once OPC and CODE comments have been incorporated, what should be the next steps?*

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WORLD BANK ENVIRONMENTAL AND SOCIAL SAFEGUARD POLICIES COMPARED

<i>Policy</i>	<i>Core requirements</i>	<i>Applicability to lending instruments</i>	<i>Public consultation</i>	<i>Policy exemptions</i>
OP/BP 4.01, <i>Environmental Assessment</i>	Screen early for potential impacts and selected appropriate instrument to assess, minimize and mitigate potential adverse impacts.	All investment projects. Not applicable to adjustment lending, except SECALS.	Consult affected groups and NGOs as early as possible (for Category A and B projects).	Yes. For emergency recovery operations with approval of the Regional VP, ENV Chair and LEG.
OP/BP 4.04, <i>Natural Habitats</i>	Do not finance projects that degrade or convert critical habitats. Support projects that affect non-critical habitats only if no other alternatives are available and if acceptable mitigation measures are in place.	All investment projects. Not applicable to adjustment operations.	Consult local people in planning, designing and monitoring projects.	No
OP 4.09, <i>Pest Management</i>	Support integrated approaches to pest management. Identify pesticides which may be financed under the project and develop appropriate pest management plan to address risks.	All investment projects. Applicable to adjustment lending.	Consult local people in planning, designing and monitoring projects.	No.
OP/BP 4.12, <i>Involuntary Resettlement</i>	Assist displaced persons in their efforts to improve or at least restore their standards of living	All investment projects. Not applicable to adjustment operations.	Consult resettlers and host community; incorporate expressed views in resettlement plans; list choices made by resettlers.	Yes. In unusual circumstances such as emergency recovery operations, subject to the approval of the Resettlement Committee.
OD 4.20, <i>Indigenous Peoples</i>	Identify adverse impacts and develop a plan to address them. Design benefits to the cultural preferences of indigenous peoples.	All investment projects. Not applicable to adjustment operations.	Consult indigenous people throughout the project cycle.	No
OP 4.36, <i>Forestry</i>	Support sustainable and conservation oriented forestry. Do not support commercial logging in primary moist tropical forests.	All investment projects. Not applicable to adjustment operations.	Consult local people, the private sector and interest group in forest area.	No
OP/BP 4.37, <i>Safety of Dams</i>	For large dams, technical review, and periodic safety inspections by independent dam safety professionals.	All investment projects. Not applicable to adjustment operations.	No public consultation.	No
OPN 11.03, <i>Cultural Property</i>	Investigate and inventory cultural resources potentially affected. Include mitigation component when there are adverse impacts on physical cultural resources.	All investment projects. Not applicable to adjustment operations.	Consult appropriate agencies, NGOs and university departments.	No

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Shouldn't this be footnoted? Δ to go to Board 6/02?

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ANNEX B

DRAFT STATEMENT OF OBJECTIVES AND PRINCIPLES

1. The World Bank is committed to supporting countries in their efforts to reduce poverty through sustained economic growth and development, and recognizes that these objectives and principles cannot be achieved without due consideration to the environmental and social issues at the country, sectoral and project levels, as appropriate.¹
2. **Objectives and Principles.** For the above reasons, the Bank does the following:
 - Identifies and incorporates relevant environmental and social issues in its Country Assistance Strategies (CASs), as appropriate;
 - Based on the CAS, conducts and/or collaborates in analytic work that seeks to better understand these environmental and social issues in specific operational contexts; and
 - Based on the CAS, supports projects with positive environmental and social impacts; and where significant adverse environmental and social impacts are unavoidable, supports borrowers' effort, to minimize and mitigate them to the extent feasible.
2. The Bank recognizes that these objectives are easier to achieve in traditional investment projects, which are typically narrow in scope, finance specific expenditures, and are geographically circumscribed.
3. To realize its objectives the Bank is committed to the following:
 - Early screening and disclosure of information, as appropriate, in order to identify adverse environmental and social impacts, and explore mitigation options as necessary;
 - Supporting borrower efforts to assess and mitigate significant adverse impacts, taking account of both technical judgment and stakeholder views; and
 - Supporting its clients, in ways that they request, in developing their policy frameworks and capacity to meet these objectives, both in Bank-assisted projects and in their own development programs.
4. Further, in Bank-assisted investment lending, borrowers are also required to observe the requirements of specific safeguard policies (environmental assessment, natural habitats, forestry pest management, safety of dams, involuntary resettlement, indigenous peoples, cultural property, international waterways, and disputed territories) when impacts may occur in areas which these policies cover.
5. To facilitate the work of the borrower, the Bank reaffirms its commitment to provide clear, consistent, and rapid advice on safeguard issues and to help borrowers identify the financial and technical support they require for addressing safeguard concerns.

¹ This statement applies to investment lending.

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ANNEX B

DRAFT STATEMENT OF BANK DUE DILIGENCE WBG ARCHIVES

6. **Borrower Responsibility.** Preparation and implementation of projects, and compliance with safeguard requirements, are the responsibility of the borrower.

7. **Bank Role.** The Bank supports the borrower and facilitates the effective implementation of its safeguards policies in the following ways:

- In its country dialogue, the country director informs the borrower about safeguard objectives and procedures, and discusses implications for project support and for country capacity building. Basic information may be determined through Country Environmental Analyses or other types of environmental and social studies and relevant information is included in the CAS or equivalent documents.
- In its sectoral dialogue, Bank staff ensure that agencies preparing projects for Bank support are aware of safeguard principles and requirements, and that they have the means to comply with them. Such judgments may be informed by sectoral assessments carried out by the borrower.
- Early in investment discussions, task managers provide relevant information on safeguards to the borrower's project preparation team, and they ensure that the borrower has the capacity to incorporate safeguards concerns into project design and implementation processes, where relevant.

8. Where there may be significant adverse impacts in a specific operation, the Bank undertakes an early on-the-ground reconnaissance to determine the extent of the impacts, what measures the borrower should take to assess them, and how information will be reported and disclosed.

9. During appraisal the task team ensures that the significant impacts have been identified and addressed, that the provisions of key safeguard policies have been met, that appropriate benchmarks for monitoring are in place, and that the borrower has adequate capacity to meet its implementation commitments. During supervision, the Bank assesses compliance with agreements and results.

10. **Accountabilities for Safeguard Policies within the Bank:**

- The task manager is responsible for fully disclosing safeguard issues in project documents and bring any important issues to the attention of technical staff and management.
- Technical staff provide advice and oversight and flag significant issues and risks to regional managers and QACU.
- Regional management is responsible for putting systems in place to ensure compliance with Bank standards and processes and for providing adequate resources to prepare, appraise and supervise safeguard requirements.

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ANNEX B

- Regional management reviews, endorses, and assumes accountability for the judgment of technical staff and task teams and refers to ESSD those questions that cannot be addressed at the Regional level.
- ESSD provides policy guidance and technical support to the Regions and maintains a system of quality control and enhancement.

11. Technical exceptions to Bank policies can be made only upon the recommendation of Managing Directors.

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ANNEX C

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COMPARISON OF "DELEGATION" IN PROCUREMENT AND ENVIRONMENTAL AND SOCIAL SAFEGUARDS

	<i>Procurement</i>	<i>Safeguard policies</i>
Policy objectives¹	The Bank's procurement practices are intended to ensure that procurement is fair and efficient.	Safeguards are intended to avoid, mitigate or minimize adverse impacts in development operations.
Policy implementation	Goods are procured under Bank financed projects either by international competitive bidding (ICB) using Bank-determined rules, or national competitive bidding (NCB) using government systems that meet agreed standards, depending on the size of the transaction and other factors. To be acceptable for use in Bank-financed procurement, the NCB procedures must assure economy, efficiency, transparency and broad consistency with the provisions of the Bank's of these guidelines.	Currently the Bank provides oversight in all projects with potential adverse impacts. To encourage ownership and enhance development impact, the Bank would delegate safeguard responsibility and use borrower safeguard systems in carefully selected cases—starting with a limited number of Category B/S2 projects—in countries and/or with agencies that have demonstrated capacity and commitment. Bank oversight would be exercised at appraisal and in supervision.
Determining eligibility	Factors which must be considered include: experience and capacity of the implementing agency, the acceptability of laws and procedures governing procurement in the client country and the determination of risk which can bring other factors into consideration such as corruption, previous experience in Bank projects and audits.	Factors that would be considered in selecting pilots include: the severity of the environmental and social impacts, the acceptability of laws and procedures, determination of risk presented by the project, the experience and capacity of the country/implementing agency, and the incentives for safeguard compliance.
Supporting diagnostics	The <i>Country Procurement Assessment Report (CPAR)</i>² provides detailed information on the public procurement system in the client country and includes specific detail on laws, policies and procedures in the country. A further capacity assessment is conducted for every project proposed by the Bank during project appraisal to determine the procurement capacity of the implementing agency(ies). In the absence of a CPAR, the assessment will look at the laws, policies and procedures in the country to make the required determination on their acceptability for use under Bank-financed projects.	CEAs or similar types of environmental and social instruments would be used to assess the country's regulatory framework for safeguards, institutional capacity and safeguard risks and track record related to both environmental and social safeguard issues. This analysis would be supplemented, as needed, by information collected during the implementing/project level reviews.
Mechanics	A procurement specialist or accredited staff participates in the project design, capacity assessment, procurement planning and	Specialists in the respective environmental and social safeguard policies would participate in the country, strategic and

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¹ See *Guidelines: Procurement under IBRD Loans and IDA Credits*, available at <http://www.worldbank.org/html/opr/procure/guidelin.html>.

² *Assessment of Agency's Capacity to Implement Procurement; Setting of Prior Review Thresholds, and Procurement Supervision Plan* provides information on how to assess a specific implementing agency, available at <http://opcs/p/pp3/html>.

prior/post review of procurement under the project.

project level diagnostic and problem solving as needed.

Compliance monitoring and evaluation

- The Loan Agreement incorporates the details of procurement planning making it binding on the borrower.
- Failure to comply with the procurement requirements contained in the Loan Agreement can result in a declaration of misprocurement wherein the funds allocated for the misprocured contract can be cancelled from the loan.
- Prior review by the Bank is used to determine specific procurement actions as may have been determined during procurement planning and setting of the thresholds and supervision plan.
- Post review is used to monitor compliance when prior review has not been required. Post review is done on a sampling basis in accordance with the supervision plan and reflects the level of risk as determined during the agency level assessment.
- Post review is now monitored by the Regions and by the Anchor to the Procurement Sector Board to improve compliance. Quarterly reporting to management is part of this monitoring.
- Procurement audits and special reviews may be used to support the post review function.
- The Loan Agreement would incorporate details of needed mitigation and monitoring actions as required.
- Failure to comply with the Loan Agreement would result in cancellation of the loan.
- Prior review by the Bank would be used to determine whether delegation would occur and how monitoring and evaluation would be conducted.
- Post review would be used to review compliance and performance. The initial experience in use of this approach would be evaluated on a Bank-wide and Regional basis and recommendations made to improve this process.
- Monitoring and evaluation would be conducted by the Regions and overseen by QACU. Independent third party review may also be undertaken.
- Audits and special reviews may be used to support the post review function.

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SAFEGUARD WORK PROGRAM AND ACTION MATRIX

<i>Action area</i>	<i>Objectives and actions</i>	<i>Business sponsor and timeline</i>	<i>Comments</i>
I. Improving overall clarity, coherence, and consistency	A. Produce a brief overarching statement setting out objectives and principles of due diligence	OPCS/QACU; draft by June 2002. CODE by December 2002	This would be a short concise statement that would provide general guidance to the Bank and its clients.
	B. Clarify coverage of EA process with regard to negative social impacts	ESSD with OPSC by June 2002	Will include review of better ways to document environmental and social benefits in EA and other types of analysis.
	C. Application of safeguards principles across lending instruments	OPCS/ESSD with PREM and LEG	
	Improve content and modalities of upstream work, develop systems for application of CEA SEA, and broader country social analysis	ENV/SDV/QACU/OPCS; complete by December 2002	Incorporate into work on OP on adjustment lending, SALs, SECALs, and PRSCs, coordinate with work on "analysis suite" of OPs (economic, institutional and social analysis). Will include review of ways to strengthen social impact monitoring and consultation.
	Adjustment lending	OPCS, with ESSD and PREM by June 2002	Approaches to treating environmental and social aspects are expected to be addressed as part of the update of OD8.60 and its conversion into OP/BP format.
	Projects with multiple subprojects (CDD/Social Funds)	QACU, December 2002	Work under way on CDD and Social Funds. Guidance to be prepared concerning the application of safeguard policies to these types of operations in collaboration with CDD group.
	D. Clarify rules for special circumstances	QACU with OPCS and LEG by December 2002	Would be used to address minor inconsistencies in policies such as the treatment of emergency operations.
	E. Consolidate and update Best Practice Guidance for both staff and clients	QACU with LEG; Work Plan by June 2002	Work Plan would identify priority actions for new materials, updating existing materials, translations and dissemination of the guidance. This would include information on good practices for sectorwide safeguard assessments.

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ANNEX D

<i>Action area</i>	<i>Objectives and actions</i>	<i>Business sponsor and timeline</i>	<i>Comments</i>
	F. Strengthen capacity of field based staff to undertake a greater role in safeguard policy related technical and training activities	Regions to prepare Work Plans by June 2002	Would support the expanded use of field-based staff, both international and local hire, in all aspects of safeguard work to improve their application in project preparation, appraisal, and implementation.
	G. Strengthen supervision of environmental management plans, resettlement plans, indigenous peoples plans, etc.	Regions to prepare Work Plans by June 2002	Would support increased emphasis on implementation and monitoring of key safeguards actions.
II. Fostering and rewarding country ownership	A. Define content and modalities of country capacity assessment	ENV/QACU working draft by December 2002	CEA including capacity assessment agreed in 2001 Environment Strategy Report.
	B. Pilot delegation		
	• Confirm country willingness to participate	ESSD/Regions; complete May 2002	Approach would be pilot tested with selected countries/agencies agreed by the Board, beginning with selected Safeguards Category S2 and Environmental Category B investment projects. Bank would continue to exercise fiduciary responsibility at appraisal and during supervision.
	• Clear concept and pilots with Board	OPCS/ESSD/Regions; by June 2002	
	• Initiate pilots and report on regular basis	OPCS/ESSD/Regions; pilots to begin during FY03	
	C. Consider possible options to promote certification of agencies and enterprises	Draft report available by December 2002	Initial reconnaissance of models under way. Could provide significant incentives for improvement in application of safeguard policies at the country and agency and enterprise level.
	D. Adapt innovative approaches to safeguards-related reporting being used by the private sector	IFC paper on sustainability under preparation, and ongoing review by ENV/QACU of these approaches in Bank	New models being used by the private sector for setting sustainability objectives, safeguards-related reporting and use of third-party oversight will be examined by Bank.

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<i>Action area</i>	<i>Objectives and actions</i>	<i>Business sponsor and timeline</i>	<i>Comments</i>
III. Supporting harmonization, capacity building and partnerships	A. Promote donor harmonization around processes and principles for EAs	QACU/MFI-WGE; draft under review by cooperating institutions, MFI agreement proposed by December 2002	Process already initiated by multi-lateral financial institutions. Concepts to be discussed in Johannesburg (September 2002) and Luxembourg (December 2002). Board consideration, 2003.
	B. Accelerate borrower capacity by strengthening national policies and technical capacity for safeguard issues	Regions to formalize capacity-building programs by December 2002	Client capacity building, currently under way in all Regions, would address both environmental and social concerns. Process would provide basis for a targeted program to strengthen national policies and technical capacity that would accelerate the ability of selected countries/agencies to participate in pilot delegation program described above.
	C. Increase attention to the private sector	To be completed in the context of IFC's work on sustainability	

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