

multilateral accent

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Editorial

Standards are key to ensuring that multilateral development banks implement their projects in a socially and environmentally compatible manner. When incorporated into overarching concepts like country-specific and energy strategies, these standards help to bring about lasting and effective poverty reduction and development. They are, however, not an instrument which allows development banks, in their "policing" capacity, to push through far-reaching reforms in partner countries or cure the general ills that beset a given country. Ultimately, primary responsibility for inclusive, effective and sustainable development lies with the recipient country itself.

The focus of the latest edition of Multilateral Accent is the World Bank's reform of its safeguard policies. Throughout this process, Switzerland played an active role, taking part in intensive multi-stakeholder discussions, among other things. Switzerland views the revised set of standards as a workable compromise between the differing viewpoints of all 189 member countries.

Standards are not worth the paper they are written on if they are not put into practice. The necessary human and financial resources, institutional incentives and solid monitoring mechanisms must be in place to ensure their implementation. There will always be risks involved but, with the right mechanisms in place, these can be identified and corrected. SECO and the SDC closely monitor the situation so as to make sure that the implementation process complies as far as possible with existing policies and frameworks.

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The World Bank's new standards



Urban development – in this case in Vietnam – can harm the environment or infringe workers' rights. For World Bank supported projects, standards aim to avoid these abuses. Photo Tran Viet Duc/World Bank

The world's leading development institutions prescribe protective measures designed to manage the social and environmental impact of the projects they fund. The World Bank has recently reviewed its safeguards. The result: retrograde changes for some, progress for others.

In the mid-1980s, the World Bank became the first institution of its kind to introduce safeguard measures after receiving particularly harsh criticism of certain projects. In 1997, the Bank regrouped its existing directives into 10 operational principles ("Operational Policies"): six environmental, two social, and two legal safeguard policies.

These principles have served as a template for other institutions, in particular the regional development banks, which have gone on to update their safeguards. In 2010 for example, the Asian Development Bank (AsDB) established a single framework for all of its safeguard policies. In 2014, the African Development Bank (AfDB) revised the

safeguard and compliance procedures it had introduced in the 1990s with the aim of harmonising its practices with those of other regional development banks.

Sobering appraisal

Some projects funded by the World Bank entail the displacement and resettlement of local populations. Yet, the monitoring of these projects has suffered from "mediocre or non-existent documentation, a lack of oversight as regards the implementation of safeguard measures, and a failure to identify the major risks that certain projects posed for neighbouring populations".

The source of this withering appraisal was none other than the World Bank itself, adding its own voice to the barrage of criticism levelled at some of its activities. In 2015, a large-scale survey by the International Consortium of Investigative Journalists estimated that between 2004 and 2013, some 3.4 million people worldwide had been displaced because of World Bank-funded projects, and that often the Bank was in breach of its own rules.

“We took a hard look at ourselves on resettlement and what we found caused me deep concern”, acknowledged World Bank President, Jim Yong Kim, in March 2015. “We must and will do better.” The new standards, which the World Bank started working on in 2012 and the final draft of which was approved by the Bank’s board on August 4th of this year, seek to ensure that the Bank honours its promise. They cover all of the environmental and social risks that could arise from projects financed by the institution.

The new standards

The World Bank has had to adapt to the changing landscape of international aid and reassess the role that it can play in this arena. Not only has the profile of borrowing countries become more diversified in terms of income and capacities, but those countries have also had to shoulder more responsibility for aid management in the wake of the 2005 Paris Declaration on Aid Effectiveness. In addition, other sources of funding have emerged, such as the new Asian Infrastructure Investment Bank (AIIB), the private sector, direct investments and migrants’ contributions. Coupled with this is the fact that, unlike the regional development banks, the World Bank was slow to harmonise and integrate its safeguard measures, acknowledging that “all of our safeguard policies were devised over time and in a rather ad hoc manner” in order to address project-specific issues as and when they arose.

After three years of consultations, hundreds of discussions and three rounds of revisions, the final draft of the new standards was approved by the Board of the World Bank in August 2016. Of the 20 topics on the



In the event of the displacement of population groups, the World Bank standards aim to ensure that a livelihood, especially agriculture, forms part of the compensation such groups receive. Photo Scott Wallace/World Bank

agenda, the most widely discussed were land acquisition, resettlements, labour conditions, indigenous peoples and climate change.

The safeguards have become standards which will serve as benchmarks for the institution’s handling of environmental and social risks in the future. The emphasis is now on outcomes rather than on process. In other words, the standards are no longer an absolute prerequisite for project funding. Instead, they should be seen more as a framework that can evolve and adapt over the course of project implementation. This new set-up should facilitate implementation, integrate borrowing countries more effectively, and strengthen project oversight. The fundamental reform will also require both the World Bank and its clients to demonstrate greater transparency and accountability.

Pragmatic approach

The outcry that followed the announcement of the new standards reflects the diversity of the stakeholders involved and the resulting compromises that had to be struck. The World Bank is primarily accused of abandoning safeguards in favour of more flexible standards and weaker requirements. NGOs have expressed concern that borrowing countries now have to shoulder greater responsibility for the implementation of these

standards. According to a statement by Amnesty International in 2015, “the bank does not really verify the information that has been provided by the borrower. And obviously, the borrower has an economic advantage by not presenting the potential problems and the potential negative impact on communities because they want to get the loan.”

In response, the Bank offered reassurances that building the capacities of its clients will be key to successful implementation. If the capacities of a country fall short, the World Bank standards will take over. Nonetheless, countries still have a degree of latitude in certain areas like freedom of association which, according to the new standards, needs to be respected only “in a manner consistent with national law”.

No consensus could be reached on several sensitive issues, including human rights. The World Bank has come under fire from the Human Rights Council, among others, for its handling of the matter.

The Bank pointed out that while donor governments and civil society called for the issue to be a focal point of the reform, borrowing countries opposed it. In their view, the standards should not “promote values that run counter to national values and laws”. They backed up their argument with a reference to the founding statement of

the Bank from 1944, which stipulates that the institution shall not interfere in the political affairs of any country. In the end, the subject of human rights was relegated to a reference in the Bank's "Vision Statement".

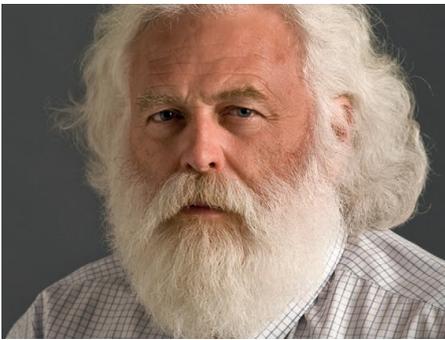
As the product of multiple and extensive rounds of consultation, the new set of standards are a perfect illustration of how difficult it is to reach agreement when partners with diverging, and even conflicting

interests and convictions are involved. A pragmatic approach has emerged, which supports achieving what is possible while still remaining vigilant regarding application. This is a position also shared by Switzerland. Given that it will take several years to implement the new standards, the Bank plans to substantially increase the resources devoted to monitoring the lengthy implementation phase.



A group of women in traditional dress in Kenya. The cultures of indigenous populations should not be threatened by development projects. Photo Kurt Carnermark/World Bank

Three questions to...



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What are the major challenges facing multilateral development banks (MDB) in the development and implementation of their environmental and social policies?

Environmental and social sustainability is a core value of MDBs, demonstrated by their environmental and social strategies and policies to manage project related risks and impacts. While their capacity to work with clients to assess potential risks and impacts is well developed, challenges remain in project implementation.

Most MDBs have now adopted policies with more balanced approaches that focus on upstream assessment of impacts and risks, complemented by downstream actions to improve the implementation of management, mitigation and monitoring measures, including greater use of management plans to integrate these measures into the design, budget and schedule of projects from the outset.

What are the key changes that have taken place in MDB policies over the last decade?

Key changes include recognizing the importance of assessing and managing risks and impacts; more attention paid to social issues, vulnerable groups in particular; and improved coverage of climate change, biodiversity and cultural heritage. Policies more clearly define the respective roles and responsibilities of MDBs and their clients for environmental and social aspects of project preparation, implementation and monitoring. Consultation, disclosure and grievance resolution mechanisms are also important.

Overall, MDB policies, rather than being highly prescriptive, now place more emphasis on fulfilling principles and objectives to achieve sustainable outcomes.

What is the institutional capacity of the countries in which MDBs operate?

Public and private sector management of environmental and social risks and impacts has improved significantly in many countries over the last 20 years with the growing recognition that this is crucial for economic and social development. It is also the outcome of capacity building measures supported over many years by international and domestic partners, which needs to continue. This increased capacity is now reflected in many MDB policies that allow for selective use of country systems, when they are consistent with the objectives of the policies and have a history of successful implementation.

Putting the new standards to the test

The World Bank decided to test its new environmental and social standards on a series of projects, and compare the results with those from current safeguard measures. Below are the findings for a dam project in Lebanon.

Compared to the existing safeguards, how do these new environmental and social standards (ESS) measure up in practice? To answer this question, the World Bank undertook a comparative study involving roughly 50 projects spread over some 30 countries. Among them is the Bisri Dam project which includes the construction of a hydropower plant and its associated infrastructure: access road, pipeline, and expansion of the existing water treatment plant. The 116 million m³ reservoir, which covers an area of 434 hectares, will supply water to the Mount Lebanon and Greater Beirut areas. Project support, approved by the World Bank in September 2014, also includes the provision of services, quality management and assurance, as well as compensation (resettlement and livelihood restoration) for the expropriation of 570 hectares of land.

The potential environmental risks of the project relate in particular to biodiversity, deforestation, almost 30 archaeological sites, flood hazards and water quality upstream and downstream of the dam. The social impact of the project results primarily from land acquisition and expropriation. Those affected include 861 owners (mostly absentee), six owner-occupiers and several dozen tenants, some of whom are non-Lebanese nationals and in certain cases are considered vulnerable.

Despite its brevity, the summary of the findings provides a clearer picture of the main differences between the current safeguards and the new standards.

› Assessment and management of environmental and social risks and impacts

The new standards place greater responsibility on the country itself. However, the ability of the country to apply these standards will first be evaluated and, where necessary, the Bank will provide capacity-building measures. More consideration is given to the potential social impact, especially in cases where there is no direct link to land acquisition. The mechanisms for monitoring commitments should identify responsibilities more clearly by setting milestones for the different phases of the project life cycle. These would replace the current requirement to submit interim reports every three years.

› Labour and working conditions

In the past, contractors who managed World Bank-funded projects were obliged to introduce occupational health and safety measures. However, the details were never specified. The new standards have extended the scope of this requirement to sub-contractors and direct suppliers (e.g. quarries that supply material) as well. Other aspects of the employer-employee relationship are now also covered by the standards.

› Resource efficiency, pollution prevention and management

The new requirements on optimising the use of energy, water and materials, coupled with the promotion of the relevant international standards, should lead to improvements.

› Community health and safety

The broadened scope of the relevant standards addresses not only worker-community relations, but also the potential impact on the community from the loss of ecosystem services (e.g. as a result of deforestation) or the downstream impact on the hydrological network.

In the Bisri Dam example, the stakes are relatively low in terms of land acquisition, population displacement and biodiversity (which will be afforded better protection nonetheless). The results of the comparative study show that there is little change from the current situation. The same is true of cultural heritage, although there are a few improvements, such as the inclusion of intangible cultural heritage (traditions, rituals, social practices, etc.).

In terms of stakeholder commitment and information disclosure, however, the new framework is an improvement on the existing safeguards. All projects funded by the World Bank are subject to these standards. Whether it is in terms of the preparation and implementation of projects, the grievance redress mechanism, or organisational commitments and capacities, the new environmental and social framework reflects a desire for greater transparency and more effective community involvement.



Map showing the impact of the Bisri Dam, in Lebanon. Illustration: World Bank

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