

# World Bank Environmental and Social Policy for Investment Project Financing

## Purpose

1. This Environmental and Social Policy for Investment Project Financing<sup>1</sup> sets out the mandatory requirements of the Bank<sup>2</sup> in relation to the projects it supports through Investment Project Financing.<sup>3</sup>

<sup>1</sup>This Policy replaces the following Operational Policy (OP) and Bank Procedures (BP): OP/BP4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*, OP/BP4.01, *Environmental Assessment*, OP/BP4.04, *Natural Habitats*, OP4.09, *Pest Management*, OP/BP4.10, *Indigenous Peoples*, OP/BP4.11, *Physical Cultural Resources*, OP/BP4.12, *Involuntary Resettlement*, OP/BP4.36, *Forests*, and OP/BP4.37, *Safety of Dams*. This Policy does not replace OP/BP4.03, *Performance Standards for Private Sector Activities*, OP/BP7.50, *Projects on International Waterways*, and OP/BP7.60, *Projects in Disputed Territories*.

<sup>2</sup>In this Policy, unless the context requires otherwise, the term “Bank” means IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds funded by donors).

<sup>3</sup>See OP 10.00, *Investment Project Financing*. Investment Project Financing is comprised of Bank Loans and Bank Guarantees, as defined in OP 10.00.

## Objectives and principles

2. The Bank is committed to supporting Borrowers<sup>4</sup> in the development and implementation of projects that are environmentally and socially sustainable, and to enhancing the capacity of Borrowers’ environmental and social frameworks to assess and manage the environmental and social risks<sup>5</sup> and impacts<sup>6</sup> of projects. To this end, the Bank has defined specific Environmental and Social Standards (ESSs), which are designed to avoid, minimize, reduce or mitigate the adverse environmental and social risks and impacts of projects. The Bank will assist Borrowers in their application of the ESSs to projects supported through Investment Project Financing in accordance with this Environmental and Social Policy for Investment Project Financing (Policy).

3. To carry out this Policy, the Bank will:

- (a) Undertake its own due diligence of proposed projects, proportionate to the nature and potential significance of the environmental and social risks and impacts related to the project;
- (b) As and where required, support the Borrower to carry out early and continuing engagement and meaningful consultation with stakeholders,<sup>7</sup> in particular affected communities, and in providing project-based grievance mechanisms;

<sup>4</sup>In this Policy, unless the context requires otherwise, the term “Borrower” means a borrower or recipient of Bank financing for an investment project, and any other entity responsible for the implementation of the project.

<sup>5</sup>Environmental and social risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

<sup>6</sup>Environmental and social impacts refer to any change, potential or actual, to: (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the project activity to be supported.

<sup>7</sup>Further requirements for Borrowers on stakeholder engagement are set out in ESS10.

- (c) Assist the Borrower in identifying appropriate methods and tools to assess and manage the potential environmental and social risks and impacts of the project;
- (d) Agree with the Borrower on the conditions under which the Bank is prepared to provide support to a project, as set out in the Environmental and Social Commitment Plan (ESCP);<sup>8</sup> and
- (e) Monitor the environmental and social performance of a project in accordance with the ESCP and the ESSs.<sup>9</sup>

4. The environmental and social risks and impacts which the Bank will take into account in its due diligence are project-related and include the following:

- (a) Environmental risks and impacts, including: (i) those identified in the World Bank Group Environmental, Health, and Safety Guidelines (EHSGs);<sup>10</sup> (ii) those related to community safety (including dam safety and safe use of pesticides); (iii) those related to climate change and other transboundary or global risks and impacts; (iv) any material threat to the protection, conservation, maintenance and restoration of natural habitats and biodiversity; and (v) those related to ecosystem services and the use of living natural resources, such as fisheries and forests; and
- (b) Social risks and impacts, including: (i) threats to human security through the escalation of personal, communal or interstate conflict, crime or violence; (ii) risks that project impacts fall disproportionately on individuals or groups who, because of their particular circumstances, may be disadvantaged or vulnerable;<sup>11</sup> (iii) any prejudice or discrimination toward individuals or groups in providing access to development

<sup>8</sup>The ESCP is addressed in Section E.

<sup>9</sup>See OP 10.00 for details on monitoring requirements.

<sup>10</sup>The Environmental, Health, and Safety Guidelines (EHSGs) are technical reference documents with general and industry-specific statements of Good International Industry Practice. The EHSGs contain the performance levels and measures that are generally considered to be achievable in new facilities by existing technology at reasonable cost. For complete reference, consult *the World Bank Group Environmental, Health, and Safety Guidelines*, [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/our+approach/risk+management/ehsguidelines](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/ehsguidelines)

<sup>11</sup>Disadvantaged or vulnerable refers to those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project's benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and as such may require specific measures and/or assistance to do so. This will take into account considerations relating to age, including the elderly and minors, and including in circumstances where they may be separated from their family, the community or other individuals upon whom they depend.

resources and project benefits, particularly in the case of those who may be disadvantaged or vulnerable; (iv) negative economic and social impacts relating to the involuntary taking of land or restrictions on land use; (v) risks or impacts associated with land and natural resource tenure and use, including (as relevant) potential project impacts on local land use patterns and tenurial arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources; (vi) impacts on the health, safety and well-being of workers and project-affected communities; and (vii) risks to cultural heritage.

5. Projects supported by the Bank through Investment Project Financing are required to meet the following Environmental and Social Standards:

- **Environmental and Social Standard 1:** Assessment and Management of Environmental and Social Risks and Impacts;
- **Environmental and Social Standard 2:** Labor and Working Conditions;
- **Environmental and Social Standard 3:** Resource Efficiency and Pollution Prevention and Management;
- **Environmental and Social Standard 4:** Community Health and Safety;
- **Environmental and Social Standard 5:** Land Acquisition, Restrictions on Land Use and Involuntary Resettlement;
- **Environmental and Social Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources;
- **Environmental and Social Standard 7:** Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities;
- **Environmental and Social Standard 8:** Cultural Heritage;
- **Environmental and Social Standard 9:** Financial Intermediaries; and
- **Environmental and Social Standard 10:** Stakeholder Engagement and Information Disclosure.

6. The Environmental and Social Standards are designed to help Borrowers to manage the risks and impacts of a project, and improve their environmental and social performance, through a risk and outcomes based approach. The desired outcomes for the project are described in the objectives of each ESS, followed by specific requirements to help Borrowers achieve these objectives through means that are appropriate to the nature and scale of the project and proportionate to the level of environmental and social risks and impacts.

## Scope of application

7. This Policy and the ESSs apply to all projects supported by the Bank through Investment Project Financing.<sup>12, 13</sup> The Bank will only support projects that are consistent with, and within the boundaries of, the Bank's Articles of Agreement and are expected to meet the requirements of the ESSs in a manner and within a timeframe acceptable to the Bank.

8. For the purpose of this Policy, the term "project" refers to the activities for which the Bank support referred to in paragraph 7 above is sought by the Borrower, as defined in the project's legal agreement between the Borrower and the Bank.<sup>14</sup> Projects may include new facilities or activities and/or existing facilities or activities, or a combination of the same. Projects may include subprojects.

9. Where the Bank is jointly financing a project with other multilateral or bilateral funding agencies,<sup>15</sup> the Bank will cooperate with such agencies and the Borrower in order to agree on a common approach for the assessment and management of environmental and social risks and impacts of the project. A common approach will be acceptable to the Bank, provided that such an approach will enable the project to achieve objectives materially consistent with the ESSs.<sup>16</sup> The Bank will require the Borrower to apply the common approach to the project. The Bank will also coordinate with such agencies so that the Bank and the Borrower may be able to disclose

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<sup>12</sup>These are projects to which OP/BP10.00, *Investment Project Financing*, applies. The World Bank Environmental and Social Policy for Investment Project Financing does not apply to operations supported by Development Policy lending (for which the environmental and social provisions are set out in OP/BP8.60, *Development Policy Lending*), or those supported by Program-for-Results Financing (for which the environmental and social provisions are set out in OP/BP9.00, *Program-for-Results Financing*).

<sup>13</sup>These projects may include technical assistance supported by the Bank through Investment Project Financing, whether provided through a stand-alone project or as part of a project. The requirements set out in paragraphs 14–18 of ESS1 will be applied to technical assistance activities as relevant and appropriate to the nature of the risks and impacts. The terms of reference, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted so that the advice and other support provided is consistent with ESSs 1–10. Activities implemented by the Borrower following the completion of the project that are not financed by the Bank, or activities that are not directly related to the technical assistance, are not subject to the World Bank Environmental and Social Policy for Investment Project Financing.

<sup>14</sup>The scope of activities for which Investment Project Finance can be provided, together with the approval process, is set out in OP 10.00.

<sup>15</sup>Such agencies will include IFC and MIGA.

<sup>16</sup>In determining whether the common approach, or the requirements referred to in paragraphs 9, 12 and 13 are acceptable, the Bank will take into account the policies, standards and implementation procedures of the multilateral or bilateral funding agencies. The measures and actions that have been agreed under the common approach will be included in the ESCP.

one set of project-related materials for stakeholder engagement.

10. This Policy also requires the application of the ESSs to Associated Facilities. Associated Facilities will meet the requirements of the ESSs, to the extent that the Borrower has control or influence over such Associated Facilities.<sup>17</sup>

11. For the purpose of this Policy, the term "Associated Facilities" means facilities or activities that are not funded as part of the project and, in the judgment of the Bank, are: (a) directly and significantly related to the project; and (b) carried out, or planned to be carried out, contemporaneously with the project; and (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist.<sup>18</sup>

12. Where:

- (a) A common approach has been agreed for the project, the common approach will apply to the Associated Facilities;
- (b) Associated Facilities are being funded by other multilateral or bilateral funding agencies, the Bank may agree to apply the requirements of such other agencies for the assessment and management of environmental and social risks and impacts of the Associated Facilities, provided that such requirements will enable the project to achieve objectives materially consistent with the ESSs.

13. Where the Bank is providing support to a project involving a Financial Intermediary (FI), and other multilateral or bilateral funding agencies will or have already provided financing to the same FI, the Bank may agree to rely on the requirements of such other agencies for the assessment and management of environmental and social risks and impacts of the project, including the institutional arrangements already established by the FI, provided that such requirements will enable the project to achieve objectives materially consistent with the ESSs.

14. Where a Borrower is deemed by the Bank to: (a) be in urgent need of assistance because of a natural or man-made disaster or conflict; or (b) experience capacity constraints because of fragility or specific vulnerabilities (including for small states), the applicable provisions of OP 10.00 will apply.<sup>19</sup>

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<sup>17</sup>The Bank will require the Borrower to demonstrate the extent to which it cannot exercise control or influence over the Associated Facilities by providing details of the relevant considerations, which may include legal, regulatory and institutional factors.

<sup>18</sup>For facilities or activities to be Associated Facilities, they must meet all three criteria.

<sup>19</sup>Further details are set out in OP 10.00.

## Bank requirements

15. The Bank will require Borrowers to conduct environmental and social assessment of projects proposed for Bank support in accordance with ESS1.<sup>20</sup>

16. The Bank will require the Borrower to prepare and implement projects so that they meet the requirements of the ESSs in a manner and a timeframe acceptable to the Bank. In establishing the manner and an acceptable timeframe, the Bank will take into account the nature and significance of the potential environmental and social risks and impacts, the timing for development and implementation of the project, the capacity of the Borrower and other entities involved in developing and implementing the project, and the specific measures and actions to be put in place or taken by the Borrower to address such risks and impacts.

17. Where the Bank has agreed that the Borrower may plan or take specific measures or actions to avoid, minimize, reduce or mitigate specific risks and impacts of the project over a specified timeframe, the Bank will require that the Borrower commit to not carrying out any activities or taking any actions in relation to the project that may cause material adverse environmental or social risks or impacts until the relevant plans, measures or actions have been completed in accordance with the ESCP.

18. If the project comprises or includes existing facilities or existing activities that do not meet the requirements of the ESSs at the time of approval by the Bank, the Bank will require the Borrower, as part of the ESCP, to adopt and implement measures satisfactory to the Bank so that the material aspects of such facilities or activities meet the requirements of the ESSs within a timeframe acceptable to the Bank. In determining satisfactory measures and an acceptable timeframe, the Bank will take into account the nature and scope of the project and the technical and financial feasibility of the proposed measures.

19. The Bank will require the Borrower to apply the relevant requirements of the EHSs.<sup>21</sup> The EHSs contain the performance levels and measures that are normally acceptable and applicable to projects. When host country requirements differ from the levels and measures presented in the EHSs, the Bank will require the Borrower to achieve or implement whichever is more stringent. If less stringent levels or measures than those provided in the EHSs are appropriate in view of the Borrower's limited technical or financial constraints or other specific project circumstances, the Bank will require the Borrower to provide full and detailed justification for any

proposed alternatives through the environmental and social assessment. This justification must demonstrate, to the satisfaction of the Bank, that the choice of any alternative performance level is consistent with the objectives of the ESSs and the applicable EHSs, and is unlikely to result in any significant environmental or social harm.

### A. Environmental and social risk classification

20. The Bank will classify all projects (including projects involving Financial Intermediaries (FIs)) into one of four classifications: *High Risk*, *Substantial Risk*, *Moderate Risk* or *Low Risk*. In determining the appropriate risk classification, the Bank will take into account relevant issues, such as the type, location, sensitivity, and scale of the project; the nature and magnitude of the potential environmental and social risks and impacts; and the capacity and commitment of the Borrower (including any other entity responsible for the implementation of the project) to manage the environmental and social risks and impacts in a manner consistent with the ESSs. Other areas of risk may also be relevant to the delivery of environmental and social mitigation measures and outcomes, depending on the specific project and the context in which it is being developed. These could include legal and institutional considerations; the nature of the mitigation and technology being proposed; governance structures and legislation; and considerations relating to stability, conflict or security. The Bank will disclose the project's classification and the basis for that classification on the Bank's website and in project documents.

21. The Bank will review the risk classification assigned to the project on a regular basis, including during implementation, and will change the classification where necessary, to ensure that it continues to be appropriate. Any change to the classification will be disclosed on the Bank's website.

22. Where the Bank is providing support to one or more FIs, the risk classification of the project will be determined by the Bank taking into account the type of financial instrument or product involved to be provided, the nature of the FI's existing portfolio, and the level of risk associated with the proposed subprojects.

### B. Use and strengthening of borrower's environmental and social framework

23. The Bank supports the use of the Borrower's ES Framework in the assessment, development and implementation of projects supported through Investment Project Financing, provided this is likely to address the risks and impacts of the project, and enable the project to achieve objectives materially consistent with the ESSs. The use of all, or part, of

<sup>20</sup>See ESS1, paragraph 23.

<sup>21</sup>See footnote 10.

the Borrower's ES Framework will be agreed between the Bank and the Borrower, following completion of the assessment referred to below.<sup>22</sup>

24. The Borrower's ES Framework will include those aspects of the country's policy, legal and institutional framework, including its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules and procedures, and implementation capacity, which are relevant to the environmental and social risks and impacts of the project. The aspects that are relevant will vary from project to project, depending on such factors as the type, scale, location and potential environmental and social risks and impacts of the project and the role and authority of different institutions.<sup>23</sup>

25. If the Bank and the Borrower propose to use all, or part, of the Borrower's ES Framework, the Bank will review the Borrower's ES Framework to assess whether such use will meet the requirement of paragraph 23.

26. The Bank will disclose the intention to conduct the assessment as early as possible, specifying the aspects of the Borrower's ES Framework that will be assessed. The Bank will engage with relevant stakeholders, so that their views can inform the assessment. In conducting the assessment, the Bank may consider recent studies, reviews and other assessments conducted by the Bank, other funding agencies, or the Borrower or relevant stakeholders, to the extent these are relevant to the proposed project. When an assessment of the Borrower's ES Framework has been completed, the Bank will disclose a summary of the assessment on its website.

27. The Bank will work with the Borrower to identify and agree on measures and actions to address gaps<sup>24</sup> and strengthen the Borrower's ES Framework, to the extent that such measures and actions are necessary to meet the requirement of paragraph 23. The agreed measures and actions, together with the timeframes for completion of such measures and actions, will form part of the ESCP.

28. Where the Bank becomes aware of a change in the Borrower's ES Framework that may materially adversely affect the project, the Bank will discuss the change with the Borrower. If, in the opinion of the Bank, such change is inconsistent with paragraph 23 and the ESCP, the Bank will have the right to

require revisions to the ESCP as necessary to meet the requirements of the ESSs and take such other measures as the Bank deems appropriate, including applying the Bank's remedies.<sup>25</sup>

29. To support increasing use and strengthening of the Borrower's ES Framework, the Bank may, at the request of the Borrower and where the Bank deems this to be feasible, conduct an overview assessment of the Borrower's existing policy, legal and institutional framework for addressing environmental and social risks and impacts, and related implementation capacity. The overview assessment will identify aspects of the existing framework that can be strengthened, and the capacity-building needed to support this. The overview assessment will not be a prerequisite for the use of all, or part of, the Borrower's ES Framework for a specific project. However, where the overview assessment has been completed, it will inform the Bank's assessment of the Borrower's ES Framework, as referred to in paragraph 26.

### C. Environmental and social due diligence

30. The Bank will conduct environmental and social due diligence of all projects proposed for support through Investment Project Financing. The purpose of the environmental and social due diligence is to assist the Bank in deciding whether to provide support for the proposed project and, if so, the way in which environmental and social risks and impacts will be addressed in the assessment, development and implementation of the project.

31. The Bank's environmental and social due diligence will be appropriate to the nature and scale of the project, and proportionate to the level of environmental and social risks and impacts, with due regard to the mitigation hierarchy.<sup>26</sup> The due diligence will assess whether the project is capable of being developed and implemented in accordance with the ESSs.

32. The Bank's due diligence responsibilities will include, as appropriate: (a) reviewing the information provided by the Borrower relating to the environmental and social risks and impacts of the project,<sup>27</sup> and requesting additional and relevant information where there are gaps that prevent the Bank from completing its due diligence; and (b) providing guidance to assist the Borrower in developing appropriate measures consistent with the mitigation hierarchy to address environmental and social risks and impacts in accordance with the ESSs. The

<sup>22</sup>The decision to use all, or parts, of the Borrower's ES Framework will not relieve the Bank of any of its due diligence obligations set out in Section C of this Policy.

<sup>23</sup>Where there are inconsistencies or lack of clarity within the Borrower's ES Framework as to relevant authorities or jurisdiction, these will be identified.

<sup>24</sup>This may require measures and actions to address specific risks or impacts of the project.

<sup>25</sup>OP 10.00 sets out the Bank's recourse and remedies. The Bank's legal remedies are specified in the relevant legal agreement.

<sup>26</sup>The mitigation hierarchy is defined in ESS1, paragraph 27.

<sup>27</sup>For example, pre-feasibility studies, scoping studies, national environmental and social assessments, licenses and permits.

Borrower is responsible for ensuring that all relevant information is provided to the Bank so that the Bank can fulfill its responsibility to undertake environmental and social due diligence in accordance with this Policy.

33. The Bank recognizes that Borrowers may have different levels of information regarding the environmental and social risks and impacts available at the time the Bank carries out its due diligence. In such circumstances, the Bank will assess the risks and impacts of the proposed project based on the information that is available to the Bank, together with an assessment of: (a) the risks and impacts inherent to the type of project and the specific context in which the proposed project will be developed and implemented; and (b) the capacity and commitment of the Borrower to develop and implement the project in accordance with the ESSs. The Bank will assess the significance of the gaps in information, and the potential risk this may present to achieving the objectives of the ESSs. The Bank will reflect this assessment in the relevant project documents at the time the proposed financing is submitted for Board approval.

34. Where the Bank is approached to provide support for a project that is under construction, or where the project has already received national permits, including the approval of local environmental and social impact assessments, the Bank's due diligence will include a gap analysis against the ESSs to identify whether any additional studies and/or mitigation measures are required to meet the Bank's requirements.

35. Depending on the potential significance of environmental and social risks and impacts, the Bank will determine whether the Borrower will be required to retain independent third-party specialists to assist in the assessment of environmental and social impacts.

## D. Special project types

### *Projects involving multiple small subprojects*

36. For projects involving multiple small subprojects,<sup>28</sup> that are identified, prepared and implemented during the course of the project, the Bank will review the adequacy of national environmental and social requirements relevant to the subprojects, and assess the capacity of the Borrower

to manage<sup>29</sup> the environmental and social risks and impacts of subprojects as required by paragraph 37. When necessary, the project will include measures to strengthen the capacity of the Borrower.

37. The Bank will require the Borrower to carry out appropriate environmental and social assessment of subprojects, and prepare and implement such subprojects, as follows:

- (a) *High Risk* subprojects, in accordance with the ESSs;
- (b) *Substantial Risk, Moderate Risk* and *Low Risk* subprojects, in accordance with national law and any requirement of the ESSs that the Bank deems relevant to such subprojects.<sup>30</sup>

38. If the Bank is not satisfied that adequate capacity exists on the part of the Borrower, all *High Risk* and, as appropriate, *Substantial Risk* subprojects will be subject to prior review and approval by the Bank until it is established that adequate capacity exists.

39. If the risk rating of a subproject increases to a higher risk rating, the Bank will require the Borrower to apply relevant requirements of the ESSs<sup>31</sup> in a manner agreed with the Bank. The measures and actions agreed will be included in the ESCP, and will be monitored by the Bank.

### *Projects involving financial intermediaries (FI)*

40. Where the Bank is providing support to an FI,<sup>32</sup> the Bank will review the adequacy of national environmental and social requirements relevant to the project, taking into account the type of FI subprojects<sup>33</sup> being undertaken and the level of risk associated with the FI's portfolio and the capacity of the FI to manage environmental and social risks and impacts. The Bank will require FIs to put in place and maintain an Environmental and Social Management System (ESMS) to identify, assess, manage,

<sup>28</sup>Paragraphs 36 to 39 apply to a Bank supported project with multiple small subprojects, as in the case of community-driven development (CDD) projects, projects involving matching grant schemes, or similar projects designated by the Bank.

<sup>29</sup>The Bank will assess the capacity of the Borrower to (a) screen subprojects; (b) obtain the necessary expertise to carry out the environmental and social assessment; (c) review the findings and results of the environmental and social assessment for individual subprojects; (d) implement mitigation measures; and (e) conduct monitoring on the environmental and social performance during project implementation.

<sup>30</sup>Where subprojects are likely to have minimal or no adverse environmental or social risks and impacts, such subprojects do not require further environmental and social assessment following the initial screening.

<sup>31</sup>The 'relevant requirements of the ESSs' will relate to the reasons for which the risk rating has increased.

<sup>32</sup>Such support may be provided directly by the Bank to the FI, or from the Borrower to the FI. Financial intermediation also includes provision of financing or guarantees by FIs to other FIs.

<sup>33</sup>"FI subproject" refers to projects financed by FIs with support from the Bank. Where the project involves on-lending by the FI to another FI, the term "FI subproject" will include the subprojects of each subsequent FI.

and monitor the environmental and social risks and impacts of FI subprojects on an ongoing basis. The ESMS will be commensurate with the nature and magnitude of environmental and social risks and impacts of FI subprojects, the types of financing, and the overall risk aggregated at the portfolio level. The Bank will review the adequacy of the ESMS.

41. The Bank's requirements and the scope of their application for a project involving an FI will depend on the type of Bank support being provided to the FI, the type of FI subprojects being undertaken and the level of risk associated with the FI's portfolio.

42. The Bank will require that the ESMS of the FI sets out requirements to (a) screen all FI subprojects against any exclusions in the legal agreement; (b) screen all FI subprojects for environmental and social risks and impacts; (c) require that FI subprojects be prepared and implemented in accordance with relevant environmental and social national and local laws and regulations; (d) require specified FI subprojects (as identified in paragraph 44) to apply the relevant requirements of the ESSs; and (e) conduct appropriate environmental and social due diligence of FI subprojects, including environmental and social assessment.

43. The Bank may require the FI to adopt and implement additional or alternative environmental and social requirements, depending on the environmental and social risk and impacts of the potential FI subprojects and the sectors in which the FI is operating.

44. Where a project involving an FI is classified by the Bank as *High Risk* or *Substantial Risk* and the Bank is not satisfied that adequate capacity exists for categorizing, carrying out environmental and social assessment or reviewing the results of environmental and social assessment, all FI subprojects that involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health and safety, labor and working conditions, biodiversity or cultural heritage will be subject to prior review and approval by the Bank until it is established that adequate capacity within the FI exists.

45. If the risk profile of a FI subproject increases significantly, the Bank will require the FI to (a) notify the Bank; (b) apply relevant requirements of the ESSs<sup>34</sup> in a manner agreed with the Bank as set out in the ESMS; and (c) monitor the measures and actions agreed, and report to the Bank as appropriate.

<sup>34</sup>The 'relevant requirements of the ESSs' will relate to the reasons for which the risk profile of the FI subproject has increased.

## E. Environmental and Social Commitment Plan (ESCP)

46. The Bank will agree on an ESCP with the Borrower.<sup>35</sup> The ESCP will set out the material measures and actions required for the project to meet the ESSs over a specified timeframe. The ESCP will form part of the legal agreement. The legal agreement will include, as necessary, obligations of the Borrower to support the implementation of the ESCP.

47. The Bank will require the Borrower to implement the measures and actions identified in the ESCP diligently, in accordance with the timeframes specified in the ESCP, and to review the status of implementation of the ESCP as part of its monitoring and reporting. The draft ESCP will be disclosed as early as possible, and before project appraisal.

48. The Bank will require the Borrower to prepare, submit to the Bank for approval and implement a process that allows for adaptive management of proposed project changes or unforeseen circumstances. The agreed adaptive management process will be set out in the ESCP. The process will specify how such changes or circumstances are to be managed and reported, and how any necessary changes will be made to the ESCP and the management tools used by the Borrower.

## F. Information disclosure

49. The Bank will apply the World Bank Policy on Access to Information with regard to all documents provided to it by the Borrower.

50. The Bank will require the Borrower to provide sufficient information about the potential risks and impacts of the project for the Borrower's consultations with its stakeholders. Such information will be disclosed in a timely manner, in an accessible place, and in a form and language understandable to project-affected parties and other interested parties as set out in ESS10, so they can provide meaningful input into project design and mitigation measures.

51. The Bank will disclose documentation relating to the environmental and social risks and impacts of *High Risk* and *Substantial Risk* projects prior to project appraisal. This documentation will reflect the environmental and social assessment of the project, and be provided in draft or final form (if available). The documentation will address, in an adequate manner, the key risks and impacts of the project, and will provide sufficient detail to inform

<sup>35</sup>As set out in paragraph 3 of this Policy, the Bank will assist the Borrower in identifying appropriate methods and tools to assess and manage the potential environmental and social risks and impacts of the project, and agree with the Borrower the conditions under which the Bank is prepared to support the project, which will be set out in the ESCP.

stakeholder engagement and Bank decision making. Final or updated documentation will be disclosed when available.

52. For *High Risk* and *Substantial Risk* projects, the Bank will indicate in the Project Appraisal Document the project-related documents that will be prepared and disclosed after Board approval. For each key document, the Bank will provide, where possible, the following details: the objectives and proposed content of the document; the rationale for the timing of preparation; the estimated costs associated with the preparation of the document and its implementation; the source of funding; and the arrangements for preparation. These details and timing for delivery of the document will be set out in the ESCP, as appropriate.

## G. Consultation and participation

53. The Bank recognizes the importance of early and continuing engagement and meaningful consultation with stakeholders. The Bank will require the Borrower to engage with stakeholders, including communities, groups, or individuals affected by proposed projects, and with other interested parties, through information disclosure, consultation, and informed participation in a manner proportionate to the risks to and impacts on affected communities. The Bank will have the right to participate in consultation activities to understand the concerns of affected people, and how such concerns will be addressed by the Borrower in project design and mitigation measures in accordance with ESS10. The Bank will monitor, as part of its due diligence, the implementation of consultation and stakeholder engagement by the Borrower.

54. In order to determine the applicability of ESS7, the Bank will undertake a screening in accordance with the criteria in paragraphs 8 and 9 of ESS7, to determine whether Indigenous Peoples (or as they may be referred to in the national context) are present in, or have collective attachment to, the proposed project area. In conducting this screening, the Bank may seek the technical advice of specialists with expertise on the social and cultural groups in the project area. The Bank will also consult the Indigenous Peoples concerned and the Borrower. The Bank may follow the Borrower's national processes during project screening for identification<sup>36</sup> of Indigenous Peoples, where these processes meet the requirements of ESS7. Where Indigenous Peoples are present in, or have a collective attachment to, the proposed project area, the Bank will require the Borrower to undertake a process of meaningful consultation tailored to Indigenous Peoples in

accordance with ESS7.<sup>37</sup> The outcome of the meaningful consultation will be documented. The Bank will undertake the necessary due diligence and ascertain the outcome of the meaningful consultation, and this will contribute to the Bank's decision making as to whether to proceed with the proposed project or not.

55. In addition, the Bank recognizes that Indigenous Peoples (or as they may be referred to in the national context) may be particularly vulnerable to the loss of, alienation from or exploitation of their land and access to natural and cultural resources. In recognition of this vulnerability, the Bank will require the Borrower to obtain the Free, Prior and Informed Consent (FPIC) of the affected Indigenous Peoples when such circumstances described in ESS7 are present.<sup>38</sup> There is no universally accepted definition of FPIC. It does not require unanimity and may be achieved even when individuals or groups within or among affected Indigenous Peoples explicitly disagree. For the purposes of ESS7, consent refers to the collective support of affected Indigenous Peoples communities for the project activities that affect them, reached through a culturally appropriate process. It may exist even if some individuals or groups object to such project activities. When the Bank is unable to ascertain that such consent is obtained from the affected Indigenous Peoples, the Bank will not proceed further with the aspects of the project that are relevant to those Indigenous Peoples for which FPIC cannot be ascertained. In such cases, the Bank will require the Borrower to ensure that the project will not cause adverse impacts on such Indigenous Peoples.

## H. Monitoring and implementation support

56. The Bank will monitor the environmental and social performance of the project in accordance with the requirements of the legal agreement, including the ESCP, and will review any revision of the ESCP including changes resulting from changes in the design of a project or project circumstances. The extent and mode of Bank monitoring with respect to environmental and social performance will be proportionate to the potential environmental and social risks and impacts of the project. The Bank will monitor projects on an ongoing basis as required by OP 10.00.<sup>39</sup> A project will not be considered complete until the measures and actions set out in the legal agreement (including the ESCP) have been implemented. To the extent that the Bank evaluation at the time of project completion determines that such measures and actions have not been fully imple-

<sup>37</sup>See ESS7, paragraph 23.

<sup>38</sup>Further details are set out in ESS7, Section B.

<sup>39</sup>The Bank will monitor and provide implementation support for the time periods stipulated in OP 10.00.

mented, the Bank will determine whether further measures and actions, including continuing Bank monitoring and implementation support, will be required.

57. The Bank will provide implementation support regarding the environmental and social performance of the project, which will include reviewing the Borrower's monitoring reports on compliance of the project with the requirements of the legal agreement, including the ESCP.

58. Where appropriate and as set out in the ESCP, the Bank will require the Borrower to engage stakeholders and third parties, such as independent experts, local communities or nongovernmental organizations (NGOs), to complement or verify project monitoring information. Where other agencies or third parties are responsible for managing specific risks and impacts and implementing mitigation measures, the Bank will require the Borrower to collaborate with such agencies and third parties to establish and monitor such mitigation measures.

59. Where the Bank has identified and agreed with the Borrower and, as relevant, other agencies,<sup>40</sup> on corrective or preventive measures and actions, all material measures and actions will be included in the ESCP. Such measures and actions will be addressed in accordance with the timeframe set out in the ESCP or, if they are not included in the ESCP, in a reasonable timeframe, in the opinion of the Bank. The Bank will have the right to apply the Bank's remedies if the Borrower fails to implement such measures and actions in the timeframes specified.

### **I. Grievance mechanism and accountability**

60. The Bank will require the Borrower to provide a grievance mechanism, process, or procedure to receive and facilitate resolution of concerns and grievances of project-affected parties arising in connection with the project, in particular about the

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<sup>40</sup>Where the Bank has agreed on a common approach with other multilateral or bilateral funding agencies, the Bank will review any corrective or preventive measures and actions agreed with the Borrower in accordance with paragraph 9.

Borrower's environmental and social performance. The grievance mechanism will be proportionate to the risks and impacts of the project.<sup>41</sup>

61. Project-affected parties may submit complaints regarding a Bank-financed project to the project grievance mechanism, appropriate local grievance mechanism, or the World Bank's corporate Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. After bringing their concerns directly to the World Bank's attention and giving Bank Management a reasonable opportunity to respond, project-affected parties may submit their complaint to the World Bank's independent Inspection Panel to request an inspection to determine whether harm has occurred as a direct result of World Bank noncompliance with its policies and procedures.

### **Institutional and implementation arrangements**

62. The Bank will allocate responsibilities and appropriate resources to support an effective implementation of this Policy.

63. Projects receiving initial approval by Bank management prior to the entry into force of this Policy will be subject to the Bank's existing Policies identified in footnote 1 of this Policy.

64. The Bank will develop and maintain directives, procedures and appropriate guidance and information tools to assist in implementing this Policy.

65. This Policy will be reviewed on an ongoing basis and will be amended or updated as appropriate, subject to approval by the Board of Directors.

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<sup>41</sup>The grievance mechanism may utilize existing formal or informal grievance mechanisms, provided they are properly designed and implemented, and deemed suitable for project purposes; these may be supplemented as needed with project-specific arrangements.