

**THE WORLD BANK ENVIRONMENTAL AND SOCIAL  
FRAMEWORK (ESF)  
IMPLEMENTATION UPDATE**

**September 2020**

## Abbreviations and Acronyms

AF	Additional Finance
CESSO	Chief Environmental and Social Standards Officer
CODE	Committee on Development Effectiveness
CSO	Civil society organization
EHSG	Environmental, Health and Safety Guidelines
E&S	Environmental and Social
ESS	Environmental and Social Standards
ESA	Environmental and Social Assessment
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESF ISU	Environmental and Social Framework Implementation Support Unit
ESMS	Environmental and Social Management System
ESP	Environmental and Social Policy
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standard
FI	Financial intermediary
FPIC	Free, Prior and Informed Consent
GBV	Gender-based violence
GHG	Greenhouse gas
GIA	Group Internal Audit
GIIP	Good International Industry Practice
GP	Global Practice
GPN	ESF Good Practice Note
GRS	Grievance Redress Service
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IPF	Investment Project Financing
IPN	Inspection Panel
LEG	Legal Vice Presidency
LEGEN	Environment and International Law Unit, LEG

MDB	Multilateral development bank
MDTF	Multi-Donor Trust Fund
OHS	Occupational Health and Safety
OPCS	Operations Policy and Country Services
PID	Project Information Document
PM	Practice Manager
RSA	Regional Environmental and Social Standards Advisor
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SD	Sustainable Development Vice Presidency
SDGs	Sustainable Development Goals
SEP	Stakeholder Engagement Plan
SORT	Systematic Operations Risk-Rating Tool
OESRC	Operations Environmental and Social Review Committee
WBG	World Bank Group

# THE WORLD BANK’S ENVIRONMENTAL AND SOCIAL FRAMEWORK (ESF)

## IMPLEMENTATION UPDATE

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# THE WORLD BANK'S ENVIRONMENTAL AND SOCIAL FRAMEWORK (ESF)

## IMPLEMENTATION UPDATE

### EXECUTIVE SUMMARY

- 1. This paper provides an update to the Board on the implementation of the Environmental and Social Framework (ESF) for Investment Project Financing (IPF) which was approved by the Board in August 2016. The ESF subsequently became effective on October 1, 2018.** All new World Bank IPF, with Concept Note meetings on or after this date are applying the ESF. This update takes stock focusing principally on the initial implementation period of the ESF against the objectives as set out in the 2016 Board Paper on the ESF<sup>1</sup>.
- 2. Modernizing the safeguard policies has been one of the most complex policy reforms undertaken by the Bank, requiring a considerable, sustained effort from Borrowers, the Board and Management.** This multiyear process included the largest consultation ever conducted, reaching nearly 8,000 stakeholders in 63 countries.
- 3. Substantial work was done during this initial implementation period,** including enhancing Bank capacity and staff skills, changing Bank operational systems and processes, beginning to build Borrower capacity at a general and project level, and launching an overall shift in approach to environmental and social (E&S) risk management, including for enhanced harmonization and communication with development partners. Efforts have also been made to integrate the ESF into the Procurement Process, an important step as application of many aspects of the ESF, particularly in projects involving large works, are under the day-to-day control of contractors.
- 4. Implementation demonstrates progress on all five objectives set out in the 2016 Board paper.** However, substantial works remains in order that the ESF delivers consistently intended improvements in E&S risk management at the project level.
- 5. Bank staff continue to have considerable, evolving needs in relation to the ESF.** Most of these needs were anticipated at the outset of ESF implementation and were planned for accordingly, while others have become apparent through experience. The number of staff available to help clients prepare E&S aspects of projects has increased considerably since 2016 but teams need to be further strengthened to absorb the expected peak in workload as implementation ramps up. E&S staff working in the regions need to apply the new standards to a pipeline of investment projects, operate new systems, and continue to work with the Safeguards-based system in parallel. They also support the increased demand for client-capacity building and training of Bank staff on

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<sup>1</sup> See “Review and Update of the World Bank’s Safeguards Policies: Environmental and Social Framework (Proposed Third Draft)” August 4, 2016  
[https://consultations.worldbank.org/sites/default/files/materials/consultation-template/review-and-update-world-bank-safeguard-policies/en/materials/board\\_paper\\_for\\_es\\_framework\\_third\\_draft\\_for\\_disclosure\\_august\\_4\\_2016.pdf](https://consultations.worldbank.org/sites/default/files/materials/consultation-template/review-and-update-world-bank-safeguard-policies/en/materials/board_paper_for_es_framework_third_draft_for_disclosure_august_4_2016.pdf)

E&S issues. These demands must be delivered against the backdrop of changing reporting lines, Bank systems and ADM responsibilities. Measures to strengthen accountability and oversight, such as through revisions to the ADM, have created potential for some redundancy, through additional reviews and clearance, which will need to be addressed. More work needs to be done to ensure staff and Borrowers take advantage of the added flexibility and proportionality provided under the ESF, including in terms of the timing of project documentation.

6. **The ESF requires a broader scope of potential environmental and social risks and impacts to be assessed and managed by Borrowers.** Borrower capacity to manage E&S issues is limited in many countries, making this a key challenge to the success of the ESF, especially in FCV countries. In the first year of implementation, some Borrowers have not understood the need for additional requirements and project documents under the ESF and questioned the perceived increase in associated project preparation costs. At the same time, some Borrowers have welcomed how the ESF integrates environmental and social issues during project preparation, and has thereby brought together a wider range of national authorities into project development. Dialogue with the Bank has also shown that the Environmental and Social Standards help aggregate many provisions previously in use, either through national and international law (for example on child labor). Additional support from task teams has been required to help clients better understand requirements and ensure their obligations under the ESF are met. Issues relating to ESF implementation that require particular attention from Borrowers include labor and working conditions, non-discrimination and social inclusion, biodiversity, SEA/SH, and occupational health and safety.

7. **This paper reports progress on all objectives set out in the 2016 Board Paper, challenges that persist, and requisite measures (including monitoring and evaluation) that will be developed over the period leading to a five-year review in 2024.** No major “course corrections” are anticipated at this time.

# THE WORLD BANK'S ENVIRONMENTAL AND SOCIAL FRAMEWORK (ESF) IMPLEMENTATION UPDATE

## I. INTRODUCTION

1. **This paper provides an update to the Board on the implementation of the Environmental and Social Framework (ESF) for Investment Project Financing (IPF) which began on October 1, 2018.** The ESF applies to all new IPFs with Concept Note meetings on or after this date. This update takes stock of the initial months of application of the ESF against the objectives as set out in the 2016 Board Paper on the ESF<sup>2</sup> and summarizes early lessons learned.

2. **The ESF comprises a Vision Statement, a Policy and a set of ten Environmental and Social Standards, all of which the Board unanimously endorsed when it approved the ESF.** The Vision Statement is aspirational and reflects the World Bank Group strategy, Twin Goals, and the importance of human rights and the United Nations Sustainable Development Goals (SDGs). The Policy sets out the objectives and requirements for the Bank's due diligence, while the Standards include the objectives and requirements for Borrowers.

3. **The Board and Management explicitly recognized that the ESF has the potential to create better long-term development outcomes.** The ESF was developed in response to the 2010 Independent Evaluation Group (IEG) Review of the Safeguard Policies<sup>3</sup> (Review) and the 2012 Approach Paper to CODE<sup>4</sup> which set out the objectives and methodology for the Review. The multiyear process of modernizing the safeguard policies was one of the most complex policy revisions undertaken by the Bank. It included the largest consultation ever conducted by the institution, reaching nearly 8,000 stakeholders in 63 countries over three consultation and review phases<sup>5</sup>. Each review phase was discussed by the Executive Directors and benefited from their feedback and guidance on how to proceed to the next stage. Importantly, the ESF achieved the goal of harmonizing the environmental and social standards of the WBG, recognizing the public and private sector distinctions among its institutions. Having done so, the ESF was approved by the Board in August 2016.

4. **The ESF builds on more than two decades of Bank experience in the implementation of safeguard policies.** Table 1 lays out the ten Environmental and Social Standards introduced in the ESF, the previous safeguard policies, and some of the key new elements of the Standards. In

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<sup>2</sup> See "Review and Update of the World Bank's Safeguards Policies: Environmental and Social Framework (Proposed Third Draft)" August 4, 2016

[https://consultations.worldbank.org/sites/default/files/materials/consultation-template/review-and-update-world-bank-safeguard-policies/en/materials/board\\_paper\\_for\\_es\\_framework\\_third\\_draft\\_for\\_disclosure\\_august\\_4\\_2016.pdf](https://consultations.worldbank.org/sites/default/files/materials/consultation-template/review-and-update-world-bank-safeguard-policies/en/materials/board_paper_for_es_framework_third_draft_for_disclosure_august_4_2016.pdf)

<sup>3</sup> See "Safeguards and sustainability policies in a changing world: an independent evaluation of World Bank Group experience" 2010 <http://documents.worldbank.org/curated/en/742801468177840668/Safeguards-and-sustainability-policies-in-a-changing-world-an-independent-evaluation-of-World-Bank-Group-experience>

<sup>4</sup> See "Approach Paper for the World Bank's Safeguard Policies Proposed Review and Update", October 10, 2012. <https://consultations.worldbank.org/sites/default/files/materials/consultation-template/review-and-update-world-bank-safeguard-policies/en/materials/safeguardsreviewapproachpaper.pdf>

<sup>5</sup> These three phases are summarized in 2016 Board paper

particular, the Environmental and Social Standards have a more comprehensive approach to environmental and social risk, particularly on social issues, given there were just two ‘social’ safeguard policies: Involuntary Resettlement and Indigenous Peoples. Moreover, the ESF integrates environmental and social issues across all ten of the ESSs.

**Table 1: ESF Environmental and Social Standards**

Standard	Building on	New Key Elements
ESS1: Assessment and Management of Environmental and Social Risks and Impacts	OP/BP4.01 (Environmental Assessment)	Integrates Environmental and Social Assessment; includes requirements related to non-discrimination and social inclusion; proportionality and adaptive management; use of the ESCP
ESS2: Labor and Working Conditions	OP/BP4.01 (Environmental Assessment) and EHS Guidelines	Prohibits child labor and forced labor, heightened focus on OHS, grievance mechanisms
ESS3: Resource Efficiency and Pollution Prevention and Management	OP4.09 (Pest Management) and EHS Guidelines	Promotes efficient management of energy, water, and other resources and materials; hazardous materials management; pesticides; GHG assessment mandate
ESS4: Community Health and Safety	OP/BP4.37 (Safety of Dams) and EHS Guidelines	Assess risks and impacts on communities; Design of safe and resilient infrastructure, equipment operation, products, services, road safety, hazardous materials; emergency preparedness
ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	OP/BP4.12 (Involuntary Resettlement)	Greater clarity on treatment of state land, land titling, access to common resources, voluntary transactions, forced evictions
ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	OP/BP4.04 (Natural Habitats) and OP/BP4.36 (Forests)	Expanded requirement to assess and mitigate impacts on biodiversity including in primary supply chains; biodiversity offsets; management of living resources in additional sectors (e.g. agriculture)
ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	OP/BP4.10 (Indigenous Peoples)	Clearer definitions of IP, requires FPIC in specified circumstances
ESS8: Cultural Heritage	OP/BP4.11 (Physical Cultural Resources)	Enhanced consultation with affected communities, intangible heritage
ESS9: Financial Intermediaries	OP/BP 4.01 (Environmental Assessment)	Establish E&S procedures commensurate with FI nature, risk level and impact

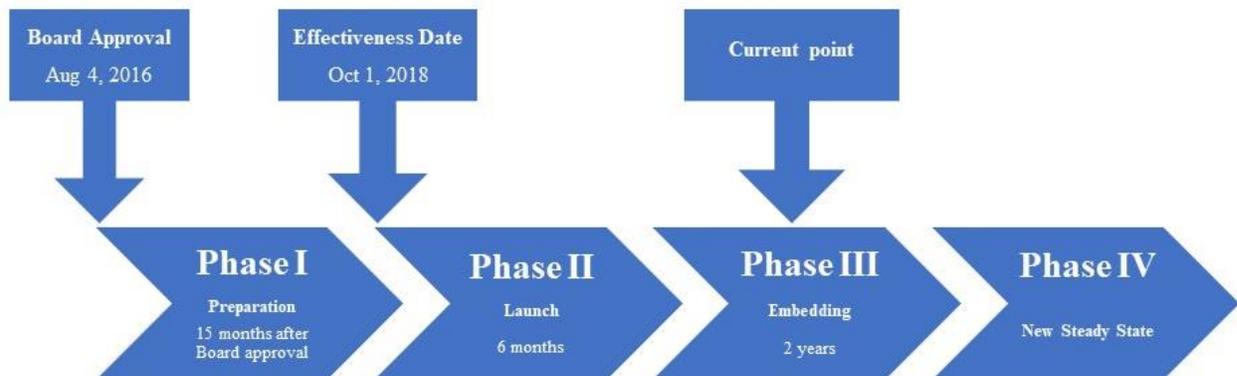
ESS10: Stakeholder Engagement and Information Disclosure

Consolidates WB engagement provisions

Meaningful consultation, access to information and grievance redress through the life of project

5. When the ESF was approved by the Board, it was envisaged that roll out would occur in four distinct implementation phases: a preparation phase of at least 15 months, a launch phase of approximately 6 months, an embedding phase of approximately 2 years, and a new steady state thereafter. Significant progress has been made on implementation (covered in Section II and III of this report), with some early lessons learned (Section IV). Substantial work remains to be done to ensure the success of the ESF (Section V).

Figure 1. ESF Implementation phases<sup>6</sup>



6. The ESF seeks to achieve better development outcomes in IPF through five objectives laid out in the 2016 Board paper. The ESF aims to:

- Address a wider range of environmental and social risks than under the Safeguard Policies
- Renew efforts to work with Borrowers' institutions to build their national systems for managing E&S risk
- Increase effectiveness, efficiency and timeliness of environmental and social risk management
- Improve policy harmonization, coherence and alignment with development partners
- Enhance transparency through stakeholder engagement and information disclosure

7. These five objectives are used to inform this implementation update. Results are derived largely from the preparation phase of projects using the ESF and projects applying the ESF that have entered implementation.

<sup>6</sup> Based on 2016 Board Paper, Figure 4 (pg. 43)

## II. IMPLEMENTATION ACTIVITIES

8. **The ESF has been a complex undertaking in both roll-out and implementation.** The initial implementation period has focused on (i) enhancing Bank capacity and staff skills, expanding the E&S workforce, training and real time support; (ii) changing Bank operational systems and processes to facilitate implementation; (iii) beginning to build capacity of Borrowers at general and project level and (iv) promoting an overall shift in approach to E&S risk management, including harmonization and communication with development partners.

### A. Data on ESF usage

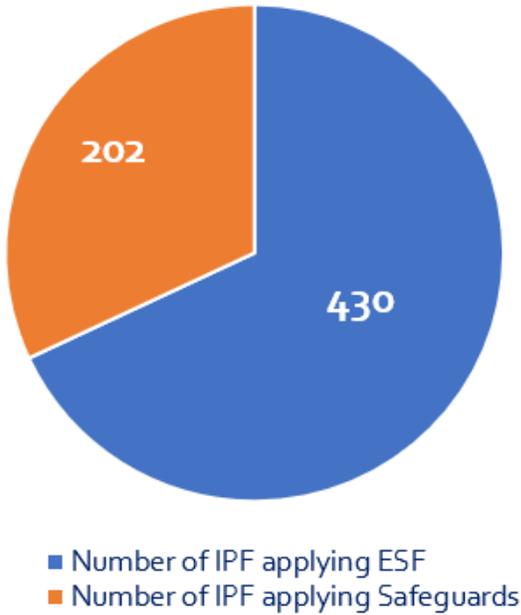
9. **All new IPFs with Concept Note meetings on or after October 1, 2018 apply the ESF.** Those projects with Concept Note meetings held prior to the ESF launch on October 1, 2018 will continue to use the existing Safeguard Policies. The Safeguard Policies will run in parallel to the ESF for about seven years.

10. **In response to staff and Borrower feedback, in December 2018 Management determined that for a one-year period, Additional Finance (AF) to scale-up activities of existing projects governed by the Safeguard Policies could apply the Safeguard Policies rather than the ESF.** This would minimize disruptions to well-performing projects and allow development benefits to reach beneficiaries most in need. There were strict requirements in place for projects to qualify for this extension, including that activities to be financed by the AF should not raise the Safeguards category for the project, nor trigger any new Safeguard Policies. This transition period ended on December 31, 2019. Further, as part of the World Bank's rapid response to the COVID-19 pandemic, as of June 2020 teams were permitted to seek Management waivers to enable the exceptional use of AF with the application of Safeguard Policies to scale-up existing pre-ESF IPF operations. However, strict requirements have also been put in place for such applications to qualify, and the waiver can only be applied to scale-up were it is determined that the permitted activities are in support of the COVID-19 response (see para 45).

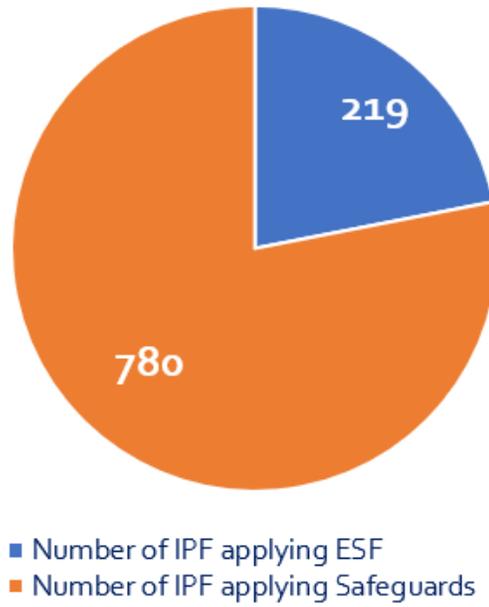
11. **As of June 30, 2020, 540 projects, totaling \$63.4 billion have had a Concept Note review (or equivalent) under the ESF.** See Figures 2-5 and Annex 1 for further data on ESF usage. Note that the ESF applies only to IPFs.

**Figures 2&3:** ESF vs. Safeguard Policies – Number of projects [as of June 30, 2020]

**Pipeline –**  
Number of projects under preparation

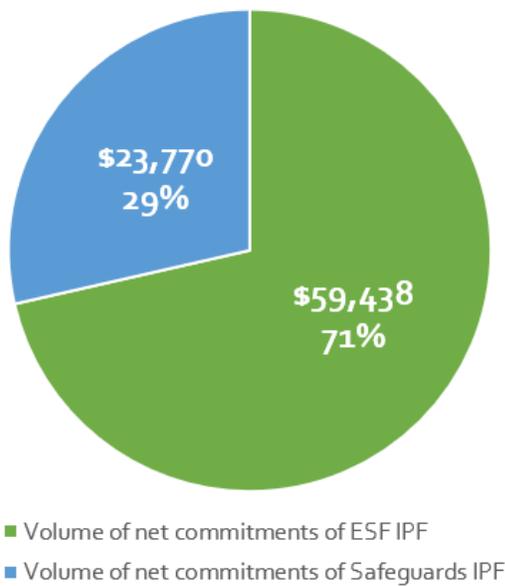


**Active –**  
Number of projects under implementation

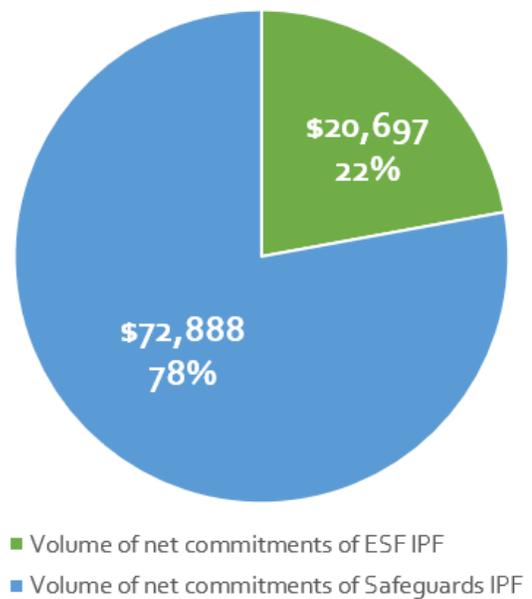


**Figures 4&5:** ESF vs. Safeguard Policies – Volume of net commitments (US \$M)  
[as of June 30, 2020]

**Pipeline**



**Active**



## **B. Enhancing World Bank staff skills and capacity**

12. **E&S staffing has significantly increased.** Between FY17 and FY20, the World Bank hired and trained more than 100 new Environmental and Social Specialists to address existing staffing needs and support ESF implementation. Hiring has included acquiring new skills where Bank management felt stronger staffing and accountability was needed, including related to gender, Labor and Working Conditions, and Occupational Health and Safety (OHS). The majority of these new hires are based in country offices and report to Practice Managers from the Sustainable Development Practice Group.

13. **An ESF Internal Capacity Building program was launched in November 2017.** The program aims to rapidly build Bank staff knowledge of the ESF through core training modules and supplementary, in-depth thematic sessions. By June 30, 2020, 4,375 staff had completed an eight-hour eLearning course. 3,797 staff had participated in in-person workshops on the ESF (or equivalent online sessions following the start of home-based work). In addition, a series of topic-specific Learning Labs, Clinics and Deep Dive courses on innovative aspects of the ESF are held regularly, including on topics such as Labor and Working Conditions, Stakeholder Engagement, Security Risk Management, and Social Assessment. The trainings emphasize both technical issues and the cultural change inherent in the ESF, relying as it does on proportionality.

14. **Drawing on lessons learned from accreditation of Procurement and Financial Management Specialists, a professional accreditation program was designed and launched for Environmental and Social Specialists** working on projects under the ESF. As of end FY20, nearly 200 Environmental and Social Specialists and PMs have been accredited.

15. **A suite of tools has been developed to strengthen staff understanding of the ESF.** On October 1, 2018, an ESF Help Desk was established in OPCS to respond to inquiries from Bank staff with respect to the ESF. Over 3,100 queries from staff have been fielded since it was established. Initial queries focused on use of the newly-launched Environmental and Social Management System (ESMS) and led to a series of Just-in-Time clinics for Bank staff on the ESMS, the Environmental and Social Commitment Plan (ESCP) and other tools. Over time, questions have shifted towards thematic issues (e.g. labor and working conditions, community health and safety). To accelerate knowledge transfer on the ESF, a web-based SmartSearch tool was built to allow Bank staff to quickly search the ESF, Guidance Notes and Good Practice Notes, the World Bank Group Environmental Health and Safety Guidelines (EHSG), and other Bank materials. Frequently asked questions to the ESF Help Desk were curated and uploaded into the ESF SmartSearch to ensure consistency of response across Bank task teams.

16. **The ESF has introduced changes which require staff to familiarize themselves with new concepts, requirements and project documents, and to make use of increased room for exercising judgement and proportionality.** Staff are provided with multiple opportunities to discuss changes in content and approach and to flag specific implementation challenges and problems, and to ensure their resolution, including regular meetings with the Chief Environmental and Social Standards Officer (CESSO), OPCS management and ESF Implementation Support Unit leadership as well as their managers and directors.

17. **A range of material has been developed to support the ESF’s implementation.** This includes eight Good Practice Notes (GPNs) for World Bank staff on topics including non-discrimination and disability, gender and addressing Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) in IPF involving Major Civil Works. GPNs are developed in partnership with specialist advisers from inside and outside the Bank and are designed to be reviewed and updated periodically, when appropriate. Templates for new project documents required under the ESF have been published to aid staff and Borrowers and support consistency, as summarized in Box 1. These materials are linked to training for staff and feature in Learning Labs and Clinics.

18. **To learn from IFC’s experience with the Performance Standards, the World Bank and IFC are collaborating on developing guidance material and tools relating to E&S risk management.** As an early example of this, the Bank and IFC are working together to update the general EHSs as well as developing new industry specific guidelines. The EHSs are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP) and are referred to in the ESF and in IFC’s Performance Standards.

#### **Box 1: Non-mandatory ESF Supplementary Material**

- Guidance Notes for Borrowers on ESS1-10
- Good Practice Notes for Staff on Gender; Non-Discrimination and Disability; Addressing Sexual Exploitation and Abuse/Sexual Harassment in IPF involving Major Civil Works; Third Party Monitoring; Assessing and Managing the Risks and Impacts of the Use of Security Personnel; Road Safety; Non-Discrimination: Sexual Orientation and Gender Identity (SOGI); Dam Safety
- Interim Guidance on Conducting an Overview Assessment
- Advisory Note on Technical Assistance and the ESF
- Greenhouse Gas Emissions Accounting Under the ESF

#### **Templates and checklists:**

- Stakeholder Engagement Plan Template
- Grievance Redress Mechanism Checklist
- Tip Sheet for Project Screening and Preparing Concept Stage Environmental and Social Review Summary (ESRS) and Project Information Document (PID)
- Environmental and Social Commitment Plan Template and associated Tip Sheet
- Environmental and Social Review Summary Concept Stage Template
- Tip Sheet for Project Screening and Preparing Concept Stage Environmental and Social Review Summary and Project Information Document
- Environmental and Social Review Summary Appraisal Stage Template
- Labor Management Procedures Template

19. **In July 2020, Group Internal Audit (GIA) published an audit of the Bank’s internal ESF capacity, concluding that significant progress had been made by Management with the preparation, launch and embedding of the ESF.** The report noted internal ESF capacity would further benefit from ongoing change management efforts and completion of accreditation of staff assigned to ESF projects.

## C. Updating Bank systems

20. **Implementation of the ESF has provided an opportunity to introduce streamlined processing, data capture, monitoring and reporting.** An Environmental and Social Management System (ESMS) was developed to facilitate quality and compliance reviews, manage reporting of E&S issues and risks in IPF. It records the Bank’s due diligence for project-related E&S risks and impacts. The ESMS was also developed to capture projects’ E&S management performance within a single system, helping with portfolio monitoring. The Bank’s Operations Portal has also been updated to ensure operations comply with ESF procedures.

21. **An ESF data monitoring system has been built into the ESMS covering issues across all Environmental and Social Standards.** Over 100 project characteristics are tracked, such as worker types involved, whether water use impacts are relevant, and whether the project involves the use of security personnel. This systematic data capture supports corporate risk and performance monitoring and allows for reliable and timely E&S information.

22. **To help Bank staff fulfill their obligations regarding disclosure of E&S documents, an integrated Disclosure Tool has been incorporated into the ESMS.** The tool simplifies categorization of E&S documents and streamlines their disclosure. By clarifying document categories, this tool also makes it easier for external stakeholders to find disclosed project documents.

23. **The ESF has been integrated into model legal agreements.** Management developed a set of standard covenants to reflect key ESF obligations for Borrowers and ensure their enforceability. These covenants relate to the direct applicability of the Environmental and Social Standards to IPF.

## D. Revising Bank processes

24. **The revised business processes required by the ESF have been defined for each stage of the project cycle, integrated across IPF policy, procedures and guidance, as well as within the ADM framework.** Continuing attention will be required to ensure that processes are as efficient as possible while maintaining compliance with the ESF. Revisions to processes include:

- **A new Bank Directive, the “Environmental and Social Directive for Investment Project Financing”<sup>7</sup>, sets out the mandatory requirements for staff regarding the implementation of the Environmental and Social Policy.** The Directive applies to all new IPF operations with Concept Note meetings held on or after October 1, 2018. The Directive was updated again in July 2019 to reflect the realignment of operational units (para 27), in January 2020 following changes to Additional Finance requirements (para 10) and is under revision now to reflect the realignment of reporting lines on July 1, 2020.

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<sup>7</sup> “Environmental and Social Directive for Investment Project Financing” OPS5.03-DIR.113, January 28, 2020 <https://spappscsec.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=698faa01-d052-4eb3-a195-055e06f7f3fd>

Figure 6 summarizes the accountability and decision making (ADM) requirements as outlined in the Directive, as well as other key decision-making roles.

- **Revision to the Accountability and Decision Making (ADM) framework.** An ADM revision was made on October 1, 2018<sup>8</sup> for project supervision and management of E&S risks under the ESF. These changes included assigning specific ADM roles to the Practice Managers (PMs) of the Environment and Social Development teams in the oversight of E&S risks under the ESF. These were put in place to require greater management attention to project supervision, promote cross-matrix ownership of portfolio risks and outcomes, and support successful implementation of the ESF. This required revision to associated systems, and familiarizing task teams and CMUs staff with the new requirements to ensure compliance.
- **The “Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups”<sup>9</sup> was issued alongside the ESF** and sets out the Bank’s due diligence obligations relating to the identification of, and mitigation of risks and impacts on disadvantaged or vulnerable individuals or groups.

25. **Quarterly regional risk reviews enhance a shared understanding of the E&S risks in a portfolio and foster a collaborative and resource-efficient approach to managing such risks.** These meetings are chaired by the CESSO and are jointly organized by OPCS, the Regions, SD and LEGEN. These meetings confirm the subset of projects that are high risk and of corporate high risk from an E&S perspective; identify projects that merit enhanced support from Regional Environmental and Social Standards Advisors (RSAs) or advice and guidance at Director level. In addition, the meeting can refer systemic or thematic issues or specific projects to the Operations Environmental and Social Review Committee (OESRC) for advice (see paras 29-31). The meeting also addresses compliance issues in projects that were escalated to the Grievance Redress Service (GRS) or Inspection Panel (IPN).

26. **Updated risk guidance explicitly describes how ESF risk assessments and ratings feed into risk assessments for each WB-financed operation via the Systematic Operations Risk-Rating Tool (SORT).** This guidance, and associated training for task teams and managers, describes how the ESF risk assessment and rating methodology differs from other SORT risk ratings: E&S risk ratings under the ESF during preparation capture inherent (or ex-ante, pre-mitigation) risk, whereas other SORT risk ratings assess and reflect residual risk (the risk after mitigation is applied). The higher of the E&S ratings becomes the combined E&S risk rating, which is entered directly from the ESMS into SORT. Task teams are not able to override the E&S risk rating but may consult with the specialists with any questions.

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<sup>8</sup> See Kiosk announcement “Changes to Support Enhanced Supervision and ESF Implementation”, November 1, 2018: <https://worldbankgroup.sharepoint.com/sites/news/announcement/pages/changes-to-support-enhanced-supervision-and-esf-implementation-01112018-191720.aspx>

<sup>9</sup> “Bank Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups”, EXC5.07-DIR.117, August 4, 2016, <https://spappscsec.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=e5562765-a553-4ea0-b787-7e1e775f29d5>

## **E. Organizational structure and OESRC**

**27. World Bank operational units have gone through two realignments since the launch of the ESF.** The first, in July 2019, saw the creation of Regional Departments, Global Departments and a dedicated ESF Implementation Support Unit reporting to the Vice President for Sustainable Development. This was built upon by an organizational realignment in July 2020, to help further enhance focus on country programs and strengthen delivery models for regional programs. As of July 1, 2020:

- OPCS continues to be responsible for ESF interpretation and guidance (including Directives, Guidance and good practice), and works closely with the RSAs (who are placed organizationally with RVPs and have a dotted line to OPCS), Regional and Global Practice Sustainable Development units and the ESF ISU.
- The Sustainable Development (SD) Regional Directors report to the Regional Vice Presidents, with a dotted line to the SD Practice Group Vice President. They oversee the budget and the delivery of country and regional programs of their Practice Group and are full members of the Regional and PG leadership teams. They are responsible for ensuring that the E&S PMs allocate staff in a manner commensurate with the risk and specific needs of each project and that policies are fully complied with, while applying the flexibility and proportionality embedded in them.
- E&S Specialists report to the Environment and Social Practice Managers (PMs).
- E&S Global Directors are accountable for global program delivery, knowledge management (creation, dissemination, and usage), and leading corporate talent management exercises such as talent review, rotation/mobility, and career planning.
- The ESF Implementation Support Unit (ISU) is housed in the SD Vice Presidency. The ISU provides advice to operational teams on the ESF. Recognizing that the ESF is currently in the early stage of implementation, the ISU will phase out by June 2022.

**28. E&S risk management under the ESF has several facets.** At its core is the project-specific ADM, involving E&S Practice Managers (PMs), RSAs and the project task teams, which include E&S specialists (Figure 6). This project-specific ADM is informed and supported by a broader range of actors, including SD Regional Directors and the CESSO.

**Figure 6: Environmental and Social Framework – Key decision-making roles and accountabilities**

	E&S Specialists	E&S Practice Managers	Regional E&S Standards Advisors
<b>PRIOR TO CONCEPT REVIEW</b>			
Screening of project E&S risks and impacts; Preparation of Concept ESRS; Determination of ESRC	✓		
Quality assurance and recommendation of Concept ESRS & project ESRC (all projects)		R	
<b>CONCEPT REVIEW</b>			
Provision of advice on Concept stage screening of E&S risks and impacts		A	A
Clearance of Concept ESRS and ESRC (all Projects)			C
<b>PRIOR TO APPRAISAL</b>			
Assessment of project E&S risks and impacts; Preparation of Appraisal ESRS; Review of Borrower E&S documents available prior to Appraisal	✓		
Quality assurance and clearance of Appraisal ESRS and Borrower E&S documents available prior to Appraisal (all Projects)		✓	
<b>DECISION REVIEW</b>			
Provision of advice on Appraisal stage assessment of E&S risks and impacts		A	A
Clearance of Appraisal ESRS and Borrower E&S documents available prior to Appraisal (projects with ESRC of S, M or L)		C	
Concurrence of Appraisal ESRS and Borrower E&S documents available prior to Appraisal (projects with ESRC of H or where Corporate oversight is provided)			Cn
<b>IMPLEMENTATION</b>			
Review Borrower E&S documents for disclosure	✓		
Quality assurance of Borrower E&S documents for disclosure (all Projects)		✓	
Disclosure of Borrower E&S documents (projects with ESRC of S, M or L)		C	
Disclosure of Borrower E&S documents (projects with ESRC of H or where Corporate oversight is provided)			Cn

✓	E&S role not spelled out in E&S ADM	R	Recommendation	C	Clearance	A	Advisory	Cn	Concurrence
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29. **The OESRC is an advisory body that meets weekly and is chaired by the CESSO.** Other members of the Committee include the Manager for E&S Standards, OPSPF; Global Directors for the ESF ISU; the LEGEN Chief Counsel; and one principal and one alternate Regional Director of Strategy and Operations and Regional SD Director, rotating every year.

30. **The OESRC is available to provide advice and decisions on complex or sensitive E&S aspects of Bank operations.** In this respect, the OESRC can support the CESSO (as the decision-maker) as and when needed in interpreting the ESF, E&S Directives, guidance and materials directly related to the ESF, and assists the CESSO in advising on their application and interpretation; and can provide advice to Bank task teams in situations in which the application of the Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups could expose such individuals or groups to risk of harm. Where needed, the Committee considers the project-specific circumstances and the risk of harm and may advise the task team whether to proceed with the project and, if so, on what basis. The CESSO considers bringing to the OESRC for its consideration E&S issues that have corporate relevance, including those that are thematic, sectoral, and related to general policy or process interpretation.

31. **Since the launch of the ESF, the OESRC has issued guidance and decisions on** Technical Assistance and the ESF, PPAs and managing E&S risks for the Carbon Fund of the Forest Carbon Partnership Facility (FCPF) Emission Reductions Programs. It has also provided

advice on specific projects, such as the Brazil Salvador Social Multi-Sector Service Delivery Project II and the application of ESS7.

32. **The Grievance Redress Service (GRS) is an avenue for people and communities to raise environmental and social issues if they believe a World Bank-financed operation has or is likely to adversely affect them.** It provides a single-entry point at the corporate-level for complaints, as part of the World Bank's accountability structure between project-level grievance mechanisms (GMs) and the World Bank's Inspection Panel. The GRS seeks to address issues quickly and effectively, works collaboratively to help achieve long-lasting solutions and serves as a tool for early identification of potential project-level issues. It strengthens the learning process by drawing attention to sectors or areas that call for further consideration or improvement. Furthermore, the GRS provides an avenue to keep World Bank Senior Management informed of potential environmental and social risks, which can assist in determining whether institutional action may be warranted across the entire World Bank portfolio.

33. **The GRS has four core functions:**

- **Complaints-handling:** The GRS facilitates prompt responses to grievances by providing support to World Bank task teams to address issues raised by project-affected people and other stakeholders.
- **Advisory:** The GRS identifies systemic issues and lessons learned by analyzing complaints received across sectors and regions. It also provides training for World Bank staff on complaints handling and resolution.
- **Monitoring and reporting:** The GRS together with World Bank task teams monitor the implementation of agreements reached between complainants and Borrowers. The GRS reports on the status of complaints through a monthly Status Report to World Bank Senior Management and a log of complaints published on its external website.
- **Outreach and communications:** The GRS maintains an external website (<http://www.worldbank.org/grs>), which includes information on how to file a complaint with the GRS. The GRS also produces information material and conducts outreach to enhance understanding of the GRS.

34. **The GRS continually reviews means to improve services it provides to project-affected communities, resolving project-level complaints with an aim to maximize the development impact of projects.** A GRS-strengthening exercise began in 2019 and is ongoing. Measures to enhance the GRS include hiring additional staff, developing new procedures and practices to ensure consistent approaches to handling grievances, maintaining confidentiality, using a risk-based approach for addressing grievances, addressing the risk of retaliation, enabling a suite of dispute resolution mechanisms and developing a roster of expert mediators to facilitate resolution of complaints. An updated case management system launched in 2020 will support the efficient functioning of the GRS and oversight on response time, while facilitating necessary analytics for reporting on Key Performance Indicators (KPIs) and lessons learned. Furthermore, outreach is being strengthened so that affected communities are increasingly aware of their ability to access the GRS. The processes will include escalation of high-risk cases for the attention of the

Managing Director of Operations, based on defined criteria. The President will chair a Grievance Redress Council to review the GRS caseload and performance and to provide oversight on specific high-risk cases, as necessary. These actions address the findings of a 2019 Group Internal Audit (GIA) assurance report on the GRS, as well as feedback from different stakeholders.

## **F. Borrower Capacity**

35. **Building the capacity of Borrowers to meet the ESSs, is critical to the effectiveness of the ESF, and will continue to be central to implementation.** Following Board approval of the ESF, an Awareness Raising program for Borrowers was developed and launched. Between February 2018 and May 2019, over 6,000 participants in Borrower countries participated in Awareness Raising workshops on the ESF in over 100 country locations. Workshops were customized to reach different groups: senior Government officials, staff of Project Implementation Units, in-country bilaterals and multi-laterals, CSOs, academics, and private sector representatives. The workshops focused on presentation and open discussion of the ESF, substantial requirements of the Environmental and Social Standards and key innovations. Evaluations from those sessions confirmed the relevance, utility and overall value of the training, but also a need for wider, continuous outreach. To further support Borrower training and awareness raising, as of Sept 2019, the same eLearning taken by Bank E&S Specialists is available to Borrowers and other stakeholders. Several countries have expressed interest in working with the Bank to improve their own institutions and capacities to manage E&S risk.

36. **An important ambition of the ESF is the use of national environmental and social systems in the assessment, development and implementation of projects, where such use can help achieve the ESF objectives.** Achieving this ambition involves enhancing the capacity of Borrowers both with regard to the process of environmental and social assessment and specific technical issues which may not yet be addressed in national systems. The provisions in the ESF for the use of Borrowers Frameworks have not yet been taken up at the project level. However, to support the design of capacity building measures, the ESF provides the option of conducting an Overview Assessment at a Borrower's request to identify aspects of the existing system that can be strengthened and to support the design of capacity building measures. *Interim Guidance on conducting an Overview Assessment* has been issued and is currently being piloted in selected countries. In these countries, government counterparts have welcomed the opportunity to identify aspects of national systems that can be strengthened and ways in which to do this, particularly when this reflects their own strategic development priorities. Over the course of the past year, several countries have initiated assessments to review legal, regulatory and institutional capacity gaps, with a view to strengthen Borrower E&S management systems.

### III. STRATEGIC PARTNERSHIPS

#### A. Coordination with other IFIs

37. **Since the inception of the ESF, the World Bank has reached out to other IFIs, particularly MDBs and bilateral agencies, to support convergence of environmental and social standards.** Outreach has included through the MFI Working Group on Environmental and Social Standards, at the World Bank Annual and Spring Meetings and a series of specially convened meetings. To encourage convergence, the World Bank co-hosted with KfW well-attended meetings in Frankfurt in December 2018. EBRD, EIB and other European bilateral agencies took part. Similar meetings were co-hosted with JICA in Tokyo in June 2018, with bilateral and multi-lateral agencies based in Asia, including JBIC, Korean EXIM Bank, Australian DFAT, Asian Development Bank (ADB) and private consulting firms. KfW has now adopted the Environmental and Social Standards for public sector projects. JICA is currently updating its Guidelines for Environmental and Social Considerations (2010) and is looking to harmonize their new guidelines with the ESF. The Inter-American Development Bank and Asian Development Bank are updating their environmental and social policies and the World Bank has been working with them in this process. This dialogue was followed up with an event for all MDBs, represented by their heads of E&S risk management teams, in Paris in May 2019. Further discussions on this topic were held at a senior level event at the Annual Meetings in October 2019 and follow up among MDB principals in November 2019.

38. **During the initial implementation period of the ESF, there has been modest uptake in developing a common approach to risk management at project level.** Of the projects that apply the ESF for Board approval, relatively few have gone with joint-financing with other development partners. However, joint-financing, for example with the AIIB, has not been inhibited by the ESF and, in fact, should become more frequent as familiarity and confidence develops in the application of the Environmental and Social Standards and other MDBs, such as EBRD and IADB, converge around elements of the ESF.

#### B. CSOs

39. **CSOs have continued to show interest in the ESF following its launch, offering feedback and insight in some areas.** There have been dedicated events on the ESF at the Civil Society Policy Forum (CSPF) held at the time of the World Bank Group Annual Meetings and Spring Meetings; each of these events has drawn approximately 100 CSO representatives. These have provided a regular engagement with CSOs, especially those from Borrower countries. OPCS has also met informally on several occasions with some of the CSOs most focused on the ESF, to maintain open communication and help understand their interests and concerns. The Social Development Global Practice (GP) has also had regular, bi-monthly interactions with CSOs on ESF implementation, especially on ESS10. The CSOs taking part in these discussions have paid particular attention to stakeholder engagement, treatment of disadvantaged or vulnerable individuals and groups, accountability and transparency, and how local CSOs can become involved at the project level. They have also been interested in discussing the first examples of ESF project documents, such as SEPs and ESCPs. They welcome enhanced coverage of E&S issues in some areas but are watching the initial stages of ESF implementation to understand how they are being operationalized.

#### IV. EXPERIENCE TO DATE

40. **Experience with the ESF is preliminary as a high degree of projects using the Environmental and Social Standards are still under preparation.** Nevertheless, some useful findings and interim measures are indicated.

41. **Increased effectiveness and adaptability:**

- *Integration of ESF into the Procurement Process:* Application of many aspects of the ESF, particularly in projects involving large works, are under the day-to-day control of contractors. To assist Borrowers and Bank task teams alike, the *Standard Procurement Document (Request for Bids Works)* has been revised to incorporate relevant aspects of the ESF. This is intended to reduce time taken to prepare bid packages, allowing the Borrower to focus on aspects of risk mitigation specific to the project. For example, contracts for Works now reflect the ESF requirements on child and forced labor, community and occupational health and safety, supply chain and inspections and SEA. Furthermore, targeted training for Bank staff relating to labor and working conditions has been expanded to include discussion of procurement-related issues and issues relating to contractors.
- *Reviewable Risk Classification:* Training for Bank staff has reinforced the ESF's principle of proportionality, which allows additional resources and more experienced staff to be focused on higher-risk projects. Risk classification under the ESF replaces three static categories (A / B / C) with four more readily adjustable categories (High / Substantial / Moderate / Low); this allows for greater precision and differentiation. It also builds on the risk classification system under the safeguard policies by better accounting for Borrower capacity and commitment as well as the specific context in which the project will be implemented. As the risk classification is reviewed on a regular basis and may be adjusted throughout the life of a project, risk management and allocation of resources and oversight by the Bank in exercising its due diligence may also change.
- *Environmental and Social Assessment:* ESS1 (Assessment and Management of Environmental and Social Risks and Impacts) sets out clearly and concisely how all projects are subject to environmental and social assessment (ESA). The process of ESA enables the Bank, Borrower and project-affected people to understand the risk, impacts and potential benefits of the Bank financed project, while also reflecting multiple factors, including the type and extent of risk, the timing for development of the project, and national law requirements.
- *Increased transparency around Borrower commitments:* Experience from the initial Environmental and Social Commitment Plans (ESCP) and feedback from Bank task teams indicated that some standardization and revisions to the template would be helpful. In response, additional guidance has been being provided and examples of good practice are being identified, but more remains to be done. The ESCP summarizes the measures and actions the Borrower will take to achieve compliance with the Environmental and Social Standards over the life of the project. The use of the ESCP is key to ensuring that E&S risk management is completed, acknowledging that some of this work can only be done during project implementation. Disclosure of the ESCP provides transparent, timely and relevant information to project stakeholders.

- *More Systematic Stakeholder Engagement:* Every project under the ESF must prepare a Stakeholder Engagement Plan (SEP) proportionate to the nature and scale of the project and its potential risks and impacts. The SEP reflects the emphasis on stakeholder engagement as a process to be carried out throughout the life of a project. Given the initial projects applying the ESF have only recently entered their implementation phase, it is too early to tell how this important feature of stakeholder engagement under ESS10 will be followed throughout the project cycle, however, the focus on stakeholder engagement has been an important feature of project design.

42. **Covering a wider range of risks:** The ESF has helped prompt dialogue with Borrowers on specific E&S risks relevant to their own national development agendas. Such topics include labor and working conditions, treatment and inclusion of disadvantaged and vulnerable groups, the increased role of financial intermediaries in development, and the specific challenges of working in fragile and conflicted-affected environments. Examples are presented in the accompanying boxes.

- *Labor and Working Conditions:* ESS2 (Labor and Working Conditions) was vigorously discussed prior to approval of the ESF by the Board. In the context of the ESF, the early introduction of labor management procedures in project preparation has been key to identifying and managing risks. In some cases, discussions with the Bank on labor management have helped bring national authorities together to discuss the issues. In practice, ESS2 aggregates

### **Box 2: Working with Borrowers on Labor and Working Conditions**

ESS2 is one of the most challenging Standards for staff and Borrowers to implement, given the new requirements it introduces, including on occupational health and safety, treatment of different categories of workers, grievance mechanisms, workers organizations and emphasis on non-discrimination and equal opportunity. Labor Management Procedures (LMP), required under ESS2, is also a new project document. ESS2 is relevant to over 95% of projects applying the ESF to date, generating a significant demand for guidance and resources.

In some projects, clients argue that the new requirements are excessive and that some elements of ESS2 are beyond their responsibility. A lack of Borrower capacity and experience on labor and working conditions makes dialogue challenging and requires additional input from Bank task teams. At the same time, E&S specialists have had to build their knowledge in this field and draw on the expertise of colleagues to support Borrowers, while meeting their own due diligence responsibilities. In some projects, dialogue on labor issues with the World Bank, as well as with PIUs and contractors, has been constructive. These Borrowers recognize that many aspects of ESS2 are reflected in their national labor laws and international conventions to which they are a party. The LMP serves as an early planning tool that helps identify and manage potential issues.

To support meeting the challenges of implementing these labor issues, additional resources have been provided to Bank task teams including dedicated training workshops and Deep Dive courses focused on labor management; development of guidance materials and templates; and the creation of a Labor and Working Conditions Community of Practice to help share experiences and expertise across the Bank.

many provisions previously in use, either through national and international law (for example on child labor) or in the World Bank Group’s Environmental Health and Safety Guidelines (especially on occupational health and safety). The Standard takes into account good practice being employed by other MFIs and the IFC’s Performance Standards and introduces more precision into key concepts such as the classification of project workers.

- *Disadvantaged and Vulnerable Groups:* The ESF strengthens the Bank’s commitment to inclusion. ESS1 requires assessing barriers to disadvantaged and vulnerable groups accessing project benefits as well as potential risks and impacts that could affect them disproportionately. ESS10 (Stakeholder Engagement and Information Disclosure) supports systematic identification of disadvantaged and vulnerable groups through stakeholder mapping and planning the different forms of engagement required through the SEP. An associated Directive<sup>10</sup> lays out the Bank’s due diligence obligations specifically with regard to these individuals or groups. The initial feedback from Bank task teams is that these have allowed for a more structured dialogue with Borrower’s inclusion issues.
- In support of such disadvantaged and vulnerable groups, ESF provisions on non-discrimination have already been applied across projects in social sectors to strengthen inclusion. For example, when the Cambodia Health Ministry asked the World Bank to help finance the Pre-Service Training for Health Workers project (P169629), which aims to improve the quality of education for health professionals, the task team saw applying the ESF as an opportunity to

### **Box 3: ESF and Disability Inclusion**

Through its requirements on non-discrimination, the ESF strengthens the Bank’s commitment to disability inclusion. One practical example is the Ghana Accountability for Learning Outcomes Project (GALOP), a World Bank-financed project which promotes access, participation, and learning for children with disabilities. Various stages of the project design and ESF project documents reflect this. The Stakeholder Engagement Plan (SEP) identified persons with disabilities and teachers among the key stakeholders to be included in project consultations. The social assessment identified several challenges to education for children with disabilities, including inadequate disability-responsive school infrastructure, teaching resources and teacher skills, and the lack of a differentiated curriculum.

To address these challenges, GALOP is focusing on improving service delivery and the enabling environment to promote disability inclusion. Activities include improved data collection, inclusion of parents of students with disabilities in School Management Committees, teacher training on screening, early identification, and provision of adapted teaching and learning materials, and provisions for the assessment of students with disabilities within the National Assessment Strategy to ensure that these improvements are monitored. As the project moves through implementation, the ESF will continue to provide a framework for promoting disability inclusion, including through stakeholder consultation throughout the life of the project.

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<sup>10</sup> Bank Directive: Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups (August 4, 2016) <https://spappscsec.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=e5562765-a553-4ea0-b787-7e1e775f29d5>

help integrate inclusion into the project's design. The project was strengthened to include a comprehensive study of the representation of women and ethnic minorities in the medical field, providing special support to actively promote the enrollment of disadvantaged groups (ethnic minorities, people living with disabilities, and women), as well as teaching good internal practices on health care waste management.

43. *Fragility, Conflict and Violence (FCV)*: The application of the ESF in the context of FCV situations is a challenge, given low capacity and often volatile conditions. The ESF does not have a separate procedure for FCV situations, but the flexibility built into the ESF can be combined with strengthened Bank support to governments, with more direct support and additional resources. The FCV strategy acknowledges the importance of risk management in such contexts while noting that the preparation of the ESF instruments (as with the Safeguard Policies) can be deferred to project implementation as long as the project has a detailed timetable for delivery of the instruments to ensure that they are in place prior to the start of any activities that could result in negative environmental or social impacts.

#### **Box 4: Operationalizing the ESF in Somalia**

Low capacity and volatility make ESF implementation in FCV contexts particularly challenging. The Somalia Urban Resilience Project Phase II (SURP2) is an example of a World Bank financed project addressing these challenges head on. Somalia is emerging from two and half decades of conflict and fragility. Women and girls, as well as minority groups and internally-displaced persons, face disempowerment and discrimination. The environmental and social assessment conducted under the project has identified disparities between men and women that may be exacerbated during project implementation, in areas such as exclusion from stakeholder engagement activities, priority in hiring, pay rates for similar work, safe working conditions as well as health and sanitary facilities in the work place. SURP2 proactively applies the differentiated measures of the ESF to ensure engagement of women in project activities including (i) involvement of female members in stakeholder engagement processes; (ii) job opportunities in subprojects' civil works and fair working conditions (including provision of maternity leave and nursing breaks where relevant, and suitable toilet and washing facilities, separate for men and women workers); and (iii) provision of special assistance to female-headed poor households in mitigation of possible resettlement impacts.

While incidence of Sexual Exploitation and Abuse (SEA) in Somalia is a significant contextual and project-related challenge, SURP2 addresses potential SEA risks with mitigation measures recommended in the ESF Good Practice Note "Addressing Gender-Based Violence" (such as the use of codes of conduct; community sensitization; hiring of GBV experts for project implementation and monitoring; collaboration with relevant service providers; and establishment of grievance mechanism with procedures and channels to enable safe, confidential and ethical reporting of GBV incidents).

44. *Financial Intermediaries (FI)*: To address the growing role of financial intermediaries in development programs, ESS9 (Financial Intermediaries) works across various FI structures, to cascade Environmental and Social Standard requirements down through institutions and subprojects with their own fit-for-purpose Environmental and Social Management Systems (ESMS).

#### **Box 5: Applying ESS9 in Tunisia**

To tackle high unemployment, Tunisia has initiated a series of reforms to stimulate startups and incentivize SMEs. In this context, the World Bank is supporting the Tunisia Financing Innovative Start-Ups and SMEs project, where the *Caisse des dépôts et consignations* (CDC) – a state-owned fund - will provide financing to two funds that will invest in 280 innovative start-ups and existing SMEs. This project is the first to apply ESS9 of the ESF.

While the CDC, a repeat client of the World Bank, was open to transition from the Bank's safeguard policies utilized under their prior Bank-financed projects to the ESF, they initially lacked the capacity to prepare certain required documents such as Labor Management Procedure and Environmental and Social Commitment Plan.

Working with the World Bank task team, CDC quickly came to appreciate the elements of ESS9 including establishment of an ESMS to manage and monitor subproject environmental and social risks and impacts. The ESMS put in place as part of the World Bank-financed project is now a tool which CDC uses across their entire subproject portfolio. Furthermore, application of the ESF brought the CDC an awareness of the importance of stakeholder engagement, including enhanced consultation, participation and accountability.

45. **COVID-19 Pandemic Response**: The World Bank moved quickly to help developing countries address the potential health, economic and social and environmental impacts of the pandemic. This was possible by making full use of policy flexibilities, including those of the ESF, by establishing a fast-track facility for COVID-19 response and using a dedicated operational approach under the Multiphase Programmatic Approach (MPA). Examples of such action include the following:

- In April 2020, the Board approved the COVID-19 Strategic Preparedness and Response Program (SPRP) and the first package of projects to address the pandemic in 25 countries. The SPRP utilizes the MPA, which allows fast track preparation of similar projects as part of a global emergency response program and enables a coordinated and effective response to COVID-19 by borrowing countries facing similar emergency needs (including assistance with disease containment, diagnosis, and treatment). Once the Board approved the overall MPA, Management was able to move quickly to commit funds for projects. The MPA presented to the Board provided clarity on how the ESF would be applied to address potential environmental, health and social impacts.
- A team in OPCS was established to work closely with HD, LEG, SD (Social and Environment) and EFI (Governance) to support the response. Lead contacts were designated across instruments and fields to ensure coherent and consistent advice and lessons across all COVID-

19 Fast Track operations, included a team of two E&S PMs and one RSA to cover the clearance process for E&S issues, with oversight by the CESSO. Expedited processing timelines were used and documentation was based on simplified project templates. This approach enabled the Bank to have crisis response programs running in over 100 countries in a just a few weeks.

- The ESF was applied as designed with its inherent flexibility, helping meet the demands of this evolving response. Given the complexity of the environmental, health, social and worker and community protection risks associated with COVID-19, new guidance was issued addressing the specific circumstances of the emergency response, including medical waste management, use of military/security forces, stakeholder engagement and labor management procedures.
- To maximize the financing tools and instruments available to the Bank and its Borrowers for the response, as of June 2020, teams were permitted to seek Management waivers to enable exceptional use of Additional Financing (AF) with the application of Safeguard Policies to scale-up existing pre-ESF IPF operations.<sup>11</sup> OPCS issued guidance on preparing these waiver requests, including a waiver template and guiding questions to help teams address COVID-19 specific risk considerations, such as discrimination and social inclusion, meaningful consultation, SEA/SH, exposure to COVID-19 and use of security forces. OPCS also established a dedicated team to review these waivers, working with RSAs and task teams. 13 AF waivers have been processed as of September 20th, totaling \$830 million in AF.

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<sup>11</sup> See Kiosk announcement “COVID-19 Operations: Management Waiver for Exceptional Use of Additional Financing under Safeguard Policies to Scale-up Ongoing Pre-ESF IPF Projects”, June 1, 2020. <https://worldbankgroup.sharepoint.com/sites/news/announcement/pages/covid19-operations-management-waiver-for-exceptional-use-of-additional-financing-under-safeguard-policies-to-scaleup-ongoing-preesf-ipf-projects--01062020-114531.aspx>

## V. LOOKING FORWARD

46. **Significant work was completed during the initial ESF implementation period, but much more will need to be done to ensure the success of the ESF.** Much of this work was accounted for, but resources and planning will need to be responsive to emerging issues and lessons learned from implementation. Going forward, the following areas are among those that will require considerable attention.

### *Environmental and Social Standards*

47. **From the outset, the Bank acknowledged that areas of the ESF with a broad range of stakeholder views would present challenges in developing and implementing a new system for E&S risk management.** Particularly challenging areas include non-discrimination and social inclusion, labor and working conditions, stakeholder engagement, and sexual exploitation, abuse and harassment. Looking forward, these areas will require additional guidance and training for staff, support for Borrowers in understanding and implementing requirements as well as associated E&S project documents and tools, and close attention to building on early lessons learned and ensuring consistency across application of the Standards.

- ***Non-discrimination and social inclusion.*** The Safeguard Policies did not explicitly require project design to take into consideration whether there were certain groups (other than Indigenous Peoples) who faced obstacles to participating in project benefits, who might be adversely affected due to their status. The ESF explicitly faces this challenge, and insists not only on assessment of whether there is the threat of discrimination, but also how to design projects to be socially inclusive.
- ***Labor and working conditions.*** Given requirements under ESS2 and new E&S project documents (including the Labor Management Plan), demand for advice and support is expected to increase as the IPF portfolio under the ESF grows.
- ***Stakeholder engagement.*** One of the innovative aspects of the ESF is the requirement for stakeholder engagement throughout the life cycle of a project, not just during project preparation. This will require monitoring stakeholder engagement over the life of a project, consulting with communities regarding project developments and ensuring Stakeholder Engagement Plans are properly resourced. This implies longer-term monitoring, requiring more work from staff and Borrowers. Work will also be needed to build the body of evidence and experience on the inclusion of disadvantaged and vulnerable groups, as required under ESS10 and the Directive on Disadvantaged or Vulnerable Individuals or Groups.
- ***SEA/SH*** - SEA/SH represents a significant contextual and project-related risk for some Bank-financed projects, particularly in FCV countries (see Box 4 for example). While the ESF does not explicitly mention SEA/SH, the Framework is designed to address such emerging risks, an important feature for its long-term relevance. Training, tools, staff capacity and in-house expertise is being scaled up to identify and manage SEA/SH risks. The ESF Good Practice Note (GPN) “Addressing SEA/SH in Major Civil Works” is among the most widely read of the GPNs and is being supported by training sessions on this issue. Integrating the ESF into the procurement process has strengthened how SEA/SH is addressed in procurement and has also driven staff demand for additional training and guidance.

- **Other topics.** Examples of other issues in the ESF on which there is little experience to date but which will likely provide new lessons and demand increased attention include:
  - Ecosystem Services (ESS1 para 28a, ESS 4, and ESS 6): risks and impacts, and coverage in environmental and social assessment, are likely to emerge in the IPF portfolio.
  - GHG emissions (ESS3 para 16): this will require refinement of technologies and Bank assistance in cases where Borrower capacity is limited. The reporting of gross GHG emissions, as required of Borrowers under the ESF, versus reporting of net GHG emissions, as required under the Bank's Climate Corporate Commitment, will require additional guidance to Bank task teams.
  - Free, Prior and Informed Consent (FPIC) (ESS7 section B): the application of the new criteria and requirements around FPIC is expected to be closely scrutinized by Borrowers and Beneficiaries and informed by emerging good practice.
  - Intangible cultural heritage (ESS8): international good practice relating to intangible cultural heritage is limited and evolving. Knowledge and skills on the topic are expected to grow. In many cases this will be complemented by national and local expertise.

### ***Borrower Capacity***

48. **Applying the ESF is often more demanding on Borrowers, requiring more explicit consideration of a wider range of E&S risks in some areas (e.g., labor, non-discrimination, stakeholder engagement) and new project documents (e.g., ESCP, LMP, SEP).** For countries with weaker institutional capacity and limited resources, this can be a considerable challenge. A scaled-up Borrower Capacity Building program is required to support those Borrowers in meeting these requirements and to further Borrower ownership of the E&S risk management process. This requires new ways of working and additional resources.

- ***Borrower Capacity Building program.*** A comprehensive program for strengthening client country E&S capacity is under design. As set out in the 2016 ESF Board paper, it is expected that the Borrower Capacity Building program will be launched in FY21 with the aim of helping to embed good practice for environmental and social sustainability and E&S risk management within national systems. The priority focus of the program will be on low capacity countries, countries affected by fragility and conflict, and on small island developing states.
- ***FCV.*** Close attention will be paid to the application of the ESF to FCV countries. The combination of volatile contexts and low capacity may challenge the application of the Environmental and Social Standards even further, while the security situation makes project monitoring and evaluation extremely difficult. Attracting and committing Bank staff to these countries is a priority.
- ***E&S documentation.*** The ESF introduces new project documents (e.g. ESCP, SEP) and expands requirements for the content of others. This expansion poses some challenges for a range of Borrowers, particularly in high and substantial risk projects, as they may have to cope with an already heavy documentation process. Often it falls on the Bank to help Borrower's in

understanding how to complete these documents, while also providing guidance and training to the Borrower.

- ***Use of Borrower Frameworks.*** The provisions in the ESF for the use of Borrowers Frameworks have not yet been taken up at the project level. However, as outlined above (para 36), several countries are engaged in Overview Assessments (under para 29 of the E&S Policy) as a first step in analyzing gaps between Borrower frameworks and the Environmental and Social Standards, indicating areas for specific capacity building. Bank-supported projects can also be an important channel to strengthen client E&S management systems. There are several, ongoing efforts to strengthen Borrower E&S management systems through dedicated projects, project components or trust funded activities, including in Ethiopia, Nigeria, Kenya and Burkina Faso.
- ***Common Approach.*** Work remains to be done to build on the current modest uptake in developing a common approach to E&S risk management at project level. This common approach will be important to help minimize different requirements being placed on Borrowers and optimize projects' Borrower capacity building potential.

#### ***Bank systems and processes***

49. **The Bank's first Environmental and Social Management System (ESMS) and complementary processes are operational, but they will need to be regularly reviewed, maintained and updated to reflect changes in policy and experience and make the systems more efficient.** Potentially unnecessary repetition in review and clearance from these systems and the ADM, will need to be identified and addressed. At the same time, Bank staff will continue to be trained and supported on the use of the ESMS so as to maximize its potential benefits and strengthen its monitoring functions.
- ***Changes to the Accountability and Decision-making (ADM) framework.*** The update to the ADM for IPF operations will need continued monitoring and review to illuminate potentially unnecessary repetition and socialization to ensure that Bank staff understand their respective ADM roles.
  - ***Parallel E&S risk management systems.*** The ESF and Safeguard Policies will run in parallel for the next six or seven years, until all projects under the safeguard policies are closed. While two E&S risk management systems are in operation, support and training in both the ESF and the Safeguard Policies will need to be provided; that said, training on the Safeguard Policies will phase out over time. Directors, managers, RSAs and the ESF ISU will all continue to support and mentor Bank staff with regard to both the ESF and the Safeguard Policies.

#### ***World Bank staff skills and capacity***

50. **Bank staff recruitment and training was frontloaded to train staff ahead of ESF-related discussions with Borrowers.** Additional E&S Specialists are regularly hired, onboarded, and trained. Steps will need to be taken to address the increased workload placed on E&S Specialists, as they apply the new standards to a pipeline of investment projects and continue to

work with the Safeguards-based system in parallel, all while addressing the increased demand for client-capacity building and training of Bank staff on E&S issues.

- **Training.** Over 4,000 staff have been trained in the ESF; that said, eLearning, and both in-person and distance-learning workshops will need to continue at their current pace to meet demand and scale-up around high-demand topics (e.g., labor management). This will allow coverage of units with comparatively low training uptake as well as new Bank staff. New topic-specific ESF Learning Labs, Just-in-Time Clinics and Deep Dive courses will also be developed, filling knowledge gaps. Feedback will help identify areas where Bank staff training needs to be enhanced.
- **Accreditation.** By the end of FY20, nearly 200 E&S Specialists and PMs have received ESF accreditation. This represents a significant commitment in Bank staff time and resources. By the end of FY21, ESF accreditation will be mandatory for all E&S Specialists working on projects applying the ESF.
- **Supplementary material.** The initial rollout of templates and other supplementary material prioritized issues faced in early stages of the project life cycle (e.g., ESRS Concept and Appraisal Stage templates, ESCP Tip Sheet). These resources will be augmented as the IPF portfolio covered by the ESF matures. E&S Specialists have expressed interest in complementing these templates and tip sheets with good examples of completed E&S project documents (e.g., Stakeholder Engagement Plans, Labor Management Plans).
- **Change Management.** It will take time for Bank staff to fully familiarize themselves with concepts, requirements and project documents introduced under the ESF. As with all new policies, this will require continued management support, informed by monitoring and stakeholder feedback. The new approach to risk classification will also require attention from staff and continuing support from management as experience grows.

## VI. CONCLUSION

### A. Progress and Prospects on ESF objectives

51. **Initial implementation of the ESF demonstrates progress on all five objectives set out in paragraph six above.** While it is still at its early stages, Management believes the ESF will provide the intended improvements in environmental and social risk management at project level. As with the introduction of the IFC Performance Standards, it will take time and incremental gains to maximize the ESF's potential.

52. **With this progress, challenges have also emerged in the initial implementation which will need to be addressed.** In particular, the activities described in section five require extra effort, resources and vigilance. Borrower capacity, particularly in FCV, will be crucial to the ESF's long-term success. The COVID-19 pandemic has further added to the demands on Borrower capacity and Bank implementation support. Bank staff and Borrowers need to continue to improve their understanding on how to apply the provisions of the ESF that provide a wider scope of coverage, taking into account the principles of proportionality and adaptive risk management.

53. **Against the five ESF objectives, progress and prospects are summarized as following:**

- ***Addressing a wider range of environmental and social risks*** – Bank due diligence as reflected in Environmental and Social Review Summary documents together with Borrower project documentation already reflect the uptake on the broader coverage of the ESF. Protections for labor and working conditions under ESS2 and for disadvantaged or vulnerable groups under ESS1 are examples, although they occasionally represent some of the most challenging in terms of dialogue with Borrowers and Borrower capacity to implement. The Bank will continue to support the implementation of the Environmental and Social Standards through a sustained effort of training, guidance and good practice materials. Evidence of improved development outcomes will be collected over time but the full degree of impact may not be wholly evident before the five-year review due in 2024.
- ***Renewed efforts to work with Borrowers' institutions to build their national systems for managing E&S risk*** - The initial ESF implementation has reached a wide audience and driven a demand for more in-depth training and specialist implementation support. Borrowers with low capacity, FCV countries and small island developing states will need additional assistance. Overview assessments under ESS1 may provide productive first steps in dialogue on capacity building.
- ***Increasing effectiveness, efficiency and timeliness of E&S risk management*** - Apart from the immediate gains of greater precision on terminology and accountabilities, it is too early to reach findings on this objective. Borrowers and Bank task teams are still learning how to take proper advantage of the added flexibility and proportionality provided under the ESF. With respect to this point, the efficiencies of using the ESCP are also not fully apparent, especially in understanding and supervising the Borrower's E&S commitments. Efficiency has also been impacted by the introduction of new project documents to an already heavy documentation process and possible repetition in review and clearance processes under the new ADM. When the ESF was approved by the Board, Senior management reported (paras 29-38 of the 2016 Board paper) that any offset through efficiency savings of the increased resources needed for

ESF implementation would be incremental and hard to measure. Management will continue to monitor these objectives at both Borrower and Bank levels

- ***Policy convergence, coherence and alignment with development partners*** – Discussions with development partners on E&S coordination are progressing. In some cases, development partners have adopted the Environmental and Social Standards as their own (e.g., KfW), whereas in others (such as the IADB and EBRD) they are poised to provide the basis for harmonization of requirements at project level. However, there is more to be done in this area. The Bank will continue to use relevant fora to pursue this objective such as during the World Bank Annual Meetings, the MFI working groups and the International Association for Impact Assessment (IAIA).
- ***Enhanced transparency through stakeholder engagement and information disclosure*** – As required, 100% of projects applying the ESF have produced Stakeholder Engagement Plans (SEPs). Initial feedback from Bank task teams indicate that this has provided a valuable avenue for identification of, and engagement with, disadvantaged and vulnerable groups and has promoted Borrower transparency with project-affected and other interested parties. Some important elements of ESS10, such as stakeholder engagement throughout the life cycle of a project, cannot be assessed at this time. The use of ESCPs is also supporting information disclosure through the summary and disclosure of the measures and actions the Borrower will take to achieve compliance with the Environmental and Social Standards over time. The Bank will continue to update good practice as it emerges through technical notes and templates, including experience from grievance mechanisms.

## **B. Monitoring and Evaluation**

54. **The five ESF objectives will form the framework of a monitoring and evaluation approach, to be developed by management.** Each objective will be evidenced at the project level by a set of both quantitative and qualitative indicators. Given that the development impacts of the ESF will take several years to fully materialize, some data on development outcomes will be more qualitative, including interpretation of information extracted from ISRs and ICRs. However, much active quantitative data on the implementation of the ESF at the project level can be taken from the ESMS. This framework will be employed for subsequent annual reviews and refined through practice for the larger five-year review to be carried out in 2024.

## **C. Conclusion**

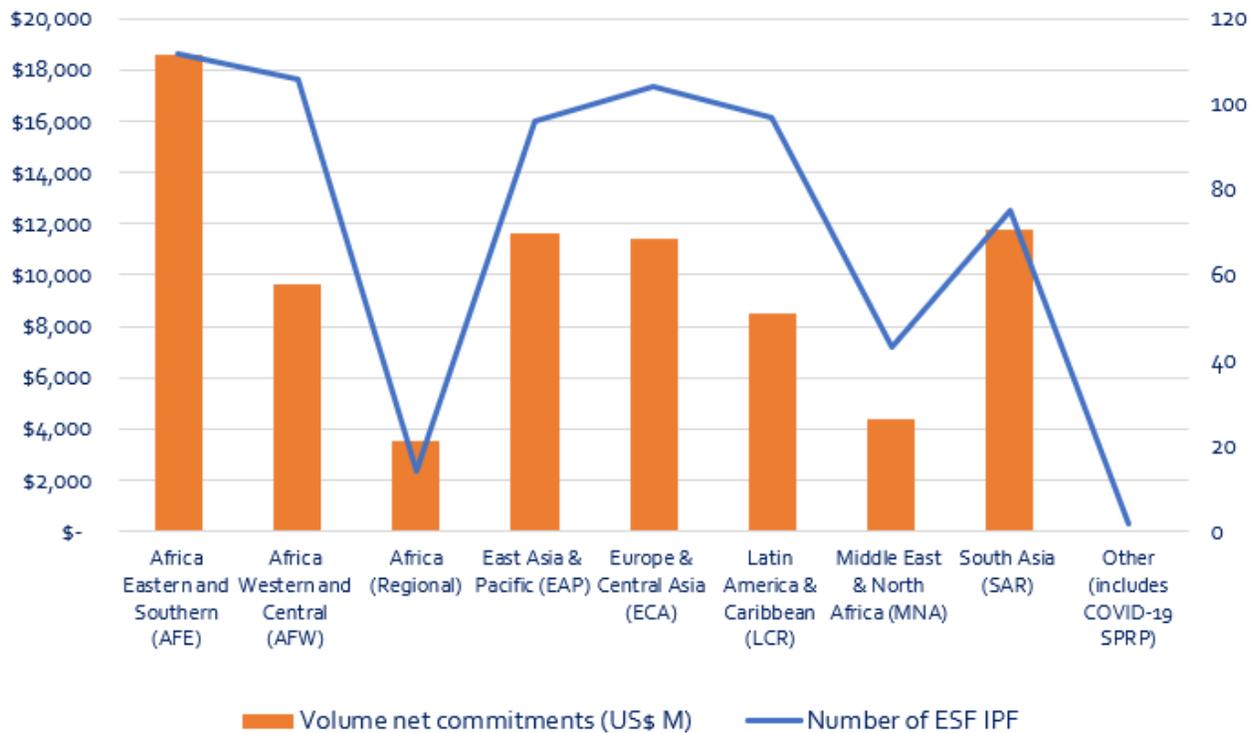
55. **This paper reports progress on all five objectives, challenges that persist, and requisite measures that will be developed over the period leading to a five-year review carried out in 2024.** No major “course corrections” are anticipated at this time. More effort on supporting Borrower capacity is anticipated, accompanied by more detailed results framework for the Environmental and Social Standards.

## ANNEX 1: DATA ON ESF IMPLEMENTATION

*Unless otherwise stated, all data in this section is as of June 30, 2020*

**Figures 7&8: Number and volume (US\$ M) of ESF IPFs in portfolio, by Region**

Region	Number of ESF IPF	Volume net commitments (US\$ M)	% of Total volume new commitments	Volume disbursed, cumulative (US\$ M)	Volume disbursed, cumulative (%)
Africa Eastern and Southern (AFE)	112	\$ 18,564	23.17%	\$ 276	1.49%
Africa Western and Central (AFW)	106	\$ 9,647	12.04%	\$ 164	1.70%
Africa (Regional)	14	\$ 3,527	4.40%	\$ -	0.00%
East Asia & Pacific (EAP)	96	\$ 11,665	14.56%	\$ 34	0.29%
Europe & Central Asia (ECA)	104	\$ 11,422	14.26%	\$ 27	0.24%
Latin America & Caribbean (LCR)	97	\$ 8,506	10.62%	\$ 153	1.80%
Middle East & North Africa (MNA)	43	\$ 4,386	5.47%	\$ 110	2.51%
South Asia (SAR)	75	\$ 11,801	14.73%	\$ 807	6.84%
Other (includes COVID-19 SPRP)	2	\$ 10	0.01%	\$ -	0.00%



**Figures 9&10: Number and volume (US\$ M) of ESF IPFs in portfolio, by Practice Group**

Practice Group	Number of ESF IPF	Volume net commitments (US\$ M)	% of Total volume new commitments	Volume disbursed, cumulative (US\$ M)	Volume disbursed, cumulative (%)
EFI	88	\$ 10,275	12.82%	\$ 201	1.96%
HD	229	\$ 23,695	29.58%	\$ 1,268	5.35%
SD	203	\$ 24,803	30.96%	\$ 83	0.33%
INFRA	126	\$ 20,643	25.77%	\$ 20	0.10%
Other	3	\$ 113	0.14%	\$ -	0.00%

