

AFRICAN DEVELOPMENT BANK GROUP



African Development Bank's Integrated Safeguard System

Policy Statement and Operational Safeguards

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QUALITY ASSURANCE AND RESULTS DEPARTMENT (ORQR)

AFRICAN DEVELOPMENT BANK

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LIST OF ACRONYMS

ADF	African Development Fund
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ARAP	Abbreviated Resettlement Action Plan
BAP	Biodiversity Action Plan
BCS	Business Community Support
BPP	Business Processes and Products
CBD	Convention on Biological Diversity
CI	Conservation International
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CMS	Convention on Migratory Species
CODE	Committee on Development Effectiveness (of the Bank)
CS	Country System
CSP	Country Strategy Paper
DFI	Development Finance Institutions
EHS	Environment, Health and Safety
ESA	Environmental and Social Assessment
ESAP	Environmental and Social Assessment Procedures
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FAO	Food and Agriculture Organisation of the United Nations
FI	Financial Intermediaries
FRAP	Full Resettlement Action Plan
GCI	General Capital Increase
GHG	Greenhouse Gas
GMO	Genetically Modified Organism
IAIA	International Association of Impact Assessment
IESIA	Integrated Environmental and Social Impact Assessment
IFC	International Finance Corporation
ILO	International Labour Organisation
IP	Indigenous Peoples
IPM	Integrated Pest Management
IR	Involuntary Resettlement
IRM	Independent Review Mechanism
ISS	Integrated Safeguards System
ISTS	Integrated Safeguards Tracking System
ITUC	International Trade Union Commission
IVM	Integrated Vector Management
MDB	Multilateral Development Bank
MDG	Millennium Development Goals
MEA	Multilateral Environmental Agreements
MFI-WGE	Multilateral Finance Institutions Working Group on Environment
NGO	Non-Governmental Organisation
OPEV	Operations Evaluation Department (of the Bank)

OpsCom	Operations Committee (of the Bank)
ORQR	Quality Assurance and Results Department (of the Bank)
OS	Operational Safeguards
PCN	Project Concept Note
PCR	Project Completion Report
RAP	Resettlement Action Plan
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country
SAP.	Business Management Software
SESA	Strategic Environmental and Social Assessment
ToRs	Terms of Reference
UNCCD	United Nations Convention to Combat Desertification
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
WB	World Bank
WHC	Convention concerning the Protection of the World Heritage and Natural Heritage
WWF	World Wildlife Fund For Nature

EXECUTIVE SUMMARY

1. Rationale for developing ISS

The African Development Bank (the Bank) is revising and updating its environmental and social safeguard system and procedures by developing and implementing an Integrated Safeguard System (ISS). The rationale and overall design of the ISS was set out in late 2010 in a concept note, “Towards an Integrated Safeguards System”, which was approved by the Bank’s Operations Committee.

The Bank has a culture of constant analysis of past experiences in order to reflect the lessons in the strategic direction of its interventions. The effectiveness of its projects’ supervision as well as inconsistencies and gaps in its policies and procedures were therefore evaluated before embarking in the revision exercise. The elements were reflected in the design documents that guided the preparatory stage to the review exercise.

The development of the Integrated Safeguards System is based upon three main areas of focus:

- An assessment of the Bank’s portfolio of relevant policies in light of current priorities, emerging issues and lessons learned from its implementation in recent years;
- A stocktaking exercise of the Bank’s experience in implementing the prescriptions of the Environmental and Social Assessment Procedures (ESAP) in key areas like use of Country Systems, Involuntary Resettlement and Indigenous Peoples; and,
- A review of current “best practice” among Multilateral Development Banks (MDBs) and joint efforts being made to harmonize environmental and social safeguards and their implementation, in which the Bank is an active participant.

Following a thorough review of the other Multilateral Development Banks’ safeguard systems and best practices, and drawing on existing Bank policies and lessons learned, including consolidation of safeguard elements scattered in the Bank’s existing cross-cutting policies. The **rationale for the design of ISS** is therefore linked to the following needs of:

- Updating the safeguard base: The Bank’s safeguard requirements are largely outdated and do not account for emerging issues or provide the opportunity to integrate lessons learned;
- Responding to current risks: Increase in inspection panel cases as well as conclusions of OPEV reports on non-compliance of Bank projects; and
- Improving the requirements and guidance: Bank’s ESAP and IESIA guidelines need to be renewed to facilitate project compliance.
- Proposed changes are presented below:
- Coverage of both public and private operations: The scope of application of the Integrated Safeguard System (ISS) is widened to cover i) all lending and non-lending as well as ii) public- and private-sector operations.
- Introduction of operational safeguards: Operational safeguards (a brief and focused set of policy requirements that clearly sets out the Bank’s requirements to borrowers and to the Banks’ operational departments; iii) updated Environmental and Social Assessment Procedures (guidance on how to implement the operational safeguards at each stage of the

project cycle); and iv) updated technical guidelines (detailed guidance materials on methodological or technical issues).

- Strengthening country systems: The system is designed to rely primarily on due diligence rules and capacity of country systems with the technical support of sector-department staff who will perform the bulk of the activities on compliance requirements.
- Coverage of policy and program lending: Strategic Environmental and Social Assessment is introduced for ensuring sustainability of policy and program lending operations as well as the principle of developing an Environmental and Social Management Framework.
- Broad coverage of social issues including those related to promotion of human rights and indigenous peoples: Issues concerning indigenous peoples are addressed through by integrating a number of essential social safeguard and human right principles into the policy statement and Operational Safeguards.
- Greater harmonization with other banks: In light of this drive toward greater harmonization, the Bank has decided that there are significant benefits in learning from the experience of other multilateral development banks.

The devised safeguard policy statement will update and organize the safeguard system currently in use, in order to:

- Unify and simplify the policy base and reduce transaction costs (one-stop shop);
- Ensure efficient/ effective management of project risks and impacts;
- Integrate emerging issues such as climate change and ecosystem services;
- Separate of safeguarding issues from aspirational development objectives;
- Align the safeguards with Bank strategies and Country Systems;
- Harmonize with sister MDBs with which we prepare and implement joint projects.

2. Process for developing the ISS

The Bank is fully aware that the revision and enhancement of its environmental and social safeguards policies and procedures, and the assurance of the sustainability of its interventions in favor of the economic and social development of Regional Member Countries (RMC) must first aim at serving the interests of African populations. Given its mandate related to Africa's sustainable development, the Bank needs to account for ecological implications and their impacts on the social conditions and livelihoods of populations. This is the major reason why the Bank has paid particular attention to the transparent and inclusive preparation as well as coordinated implementation of the revision of the safeguards policies and procedures.

The Bank is therefore fully aware of the social and human development issues related to the implementation of its safeguards policies and procedures, which are aimed at ensuring sustainable development. In that sense, the Bank has associated the full range of development actors in the choices of methodology, format and content for the Integrated Safeguards System.

Implementation of a participatory and inclusive approach has resulted in extensive, transparent and genuinely participatory consultation with its technical staff and Boards, the community of multilateral and bilateral partners as well as with national governments, civil society and the private sector across the five regions of the African continent. So, it can be said that the design process was an optimal blend of carefully carried technical probes of its Business Processes and

Products, the identification and use of international best practice, guided interactions with internal stakeholders and a collection of the views and opinion of various stakeholders in African development. Milestones and important associated processes and products are tabulated below.

Table 1: Milestones of the Integrated Safeguards System

August 2009	Environmental and Social Assessment Procedures (ESAP) revision approach paper
Sept 2009	<ul style="list-style-type: none"> • OPEV report on Quality at Entry, 2005-2008 projects • Environmental and Social Safeguards stocktaking paper
October 2009	ESAP review approach paper cleared by OpsCom
Jan 2010	<ul style="list-style-type: none"> • Report on Monitoring ESMP implementation
June 2010	<ul style="list-style-type: none"> • Gap Analysis of 2004 Environmental Policy
August 2010	Development of an Integrated Safeguards System
September 2010	<ul style="list-style-type: none"> • Approval of ISS concept by OpsCom and CODE
Aug.2011	<ul style="list-style-type: none"> • Development, consultation and peer review of the ISS
August 2011	<ul style="list-style-type: none"> • ISS options report cleared by OpsCom
September 2011	<ul style="list-style-type: none"> • New ESAP draft zero version produced
December 2011	<ul style="list-style-type: none"> • ISS options report cleared by CODE for external consultations
January 2012	<ul style="list-style-type: none"> • ISS consultation and communication plan approved by CODE
March 2012	<ul style="list-style-type: none"> • New ESAP draft 1 version produced
April – June 2012	Regional consultations on the Integrated Safeguards System
11-13 April	<ul style="list-style-type: none"> • East Africa Region in Nairobi, Kenya
18-20 April	<ul style="list-style-type: none"> • Southern Africa Region in Lusaka, Zambia
9-11 May	<ul style="list-style-type: none"> • Central Africa Region in Libreville, Gabon
15-17 May	<ul style="list-style-type: none"> • West Africa Region in Abuja, Nigeria
12-14 June	<ul style="list-style-type: none"> • North Africa Region in Rabat, Morocco (wrap up)
July - December	Finalization of the design of the ISS
July - August	<ul style="list-style-type: none"> • Production of consultation reports and revision of the ISS document
Sept-December	<ul style="list-style-type: none"> • Study of Country Systems, Resettlement and Indigenous Peoples • Production of Guidance including results of IR, IP and CS studies
Dec. 2012?	Report back to Boards
2013 onward	<ul style="list-style-type: none"> • Integration of ISS into Project Cycle / SAP • Training of Bank and RMC staff

The consultation and communication process on the Integrated Safeguards System took place at three distinct but interrelated levels:

Expert Panel Reviews

Some expert panel reviews have already taken place during the internal consultations leading to the integration of best practices into the current draft. Preliminary drafts of the Integrated Safeguards System were presented to key international organizations. Their comments and suggestions were incorporated in the draft submitted to Opscom and the Board. The list of international peer reviewers is inserted below:

- Bank Information Center (BIC) USA;
- Brookings-LSE Project on Internal Displacement, USA;
- Conservation International (CI), USA ;
- CSO Coalition on the AfDB: IRPAD/Afrique, Mali ; Jamaa Resource Initiatives, Kenya on Environmental Assessment; Lumière Synergie pour le Développement, Sénégal on

Involuntary Resettlement with contributions from Both Ends, The Netherlands, Berne Declaration, Germany ; International Rivers, South Africa ; Nile Basin Discourse, Uganda ;

- International Accountability Project, USA;
- International Finance Corporation (IFC), USA;
- International Trade Union Commission (ITUC), USA, on Labour Conditions, Health and Safety;
- Multilateral Finance Institutions Working Group on Environment;
- World Bank (WB), USA;
- Worldwide Fund for Nature (WWF), Switzerland.

An advanced draft of the Integrated Safeguards System (ISS) and related Operational Safeguards (OS) drafts were presented to the Multilateral Finance Institutions' Working Group on Environment (MFI-WGE) in December 2011 in Thessaloniki, Greece and during the AfDB-hosted meeting of the Multilateral Finance Institutions' Working Group on Environment in the Spring of 2012. Bilateral development cooperation agencies were invited as observers to foster and sustain the harmonization efforts which are currently underway especially on the definition and due diligence requirements of financial intermediaries.

Regional consultations

Five regional consultations have been organized in 2012 across Africa with a view to consulting a broad-range of stakeholders on the Bank's Operational Safeguards. The consultations were open to government officials, civil society organizations, labor organizations, academia, regional applied research institutions, and private sector representatives.

For the Bank, these regional consultations have a triple objective: (i) to improve the overall quality and relevance of the ISS; (ii) to promote a common understanding of the objectives, principles, and requirements of the safeguards; (iii) to guide the formulation of the safeguard policy statement. Indeed, during the reconstitution of the African Development Fund (ADF XII) and the General Capital Increase (GCI) of AfDB in 2010 – upon request from shareholders – the Bank committed to the revision and modernisation of its processes and social and environmental protection system. The Bank envisioned doing so by elaborating and adopting an ISS, and supporting the integration of climate change considerations into the process of revising and conforming its protection measures.

Disclosure and communication:

The AfDB posted copies of the Integrated Safeguards System on the web in February 2012, at least 3 weeks before the commencement of the consultations and comments have been sought from civil society, officials of member countries, specialized and academic institutions, regional development banks, private sectors and economic communities on:

- Alignment with Country Systems, on issues related to convergence/divergence in the requirements and management of the environmental assessment process between the Integrated Safeguards System which will govern Bank interventions and country systems;
- Social development issues including Resettlement, gender, Indigenous Peoples, labor standards, human rights, consultation and disclosure in terms of the adoption as

mandatory of their principles and associated constraints and benefits with regard to the decision-making on appropriate and adequate level of due diligence for Bank-funded operations;

- Environment and biodiversity issues including critical habitats and the mainstreaming of climate change into the Integrated Safeguards System vs. adoption of a standalone safeguard on climate change.

The end of the consultation process was fixed for July 30, 2012 after a six-month disclosure period.

3. Logical structure and content of the ISS

The logical structure of the ISS is shown in Figure 1 below:

- The major innovation is the introduction of Operational Safeguards (OSs) – which are a set of brief and focused policy statements that clearly set out the operational requirements with which Bank-financed operations must comply.
- In addition, the ISS will embody a revised set of Environmental and Social Assessment Procedures (ESAP) supported by Integrated Environmental and Social Impact Assessment (IESIA) Guidance Notes that clearly set out how the Bank and the borrower/client should implement the Operational Safeguards during the project cycle.
- The ISS will supersede existing policies on environmental and social safeguards and compliance aspects but will not replace them for any other aspects including aspirational development objectives.

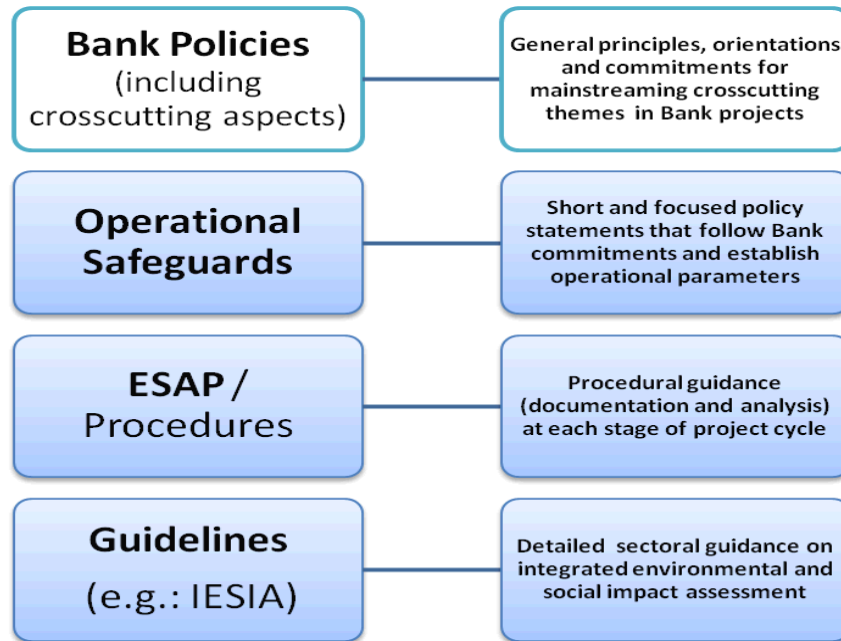


Figure 1: Conceptual diagram of the Integrated Safeguards System (Source: Concept Note: “Towards an Integrated Safeguards System”, 2010)

The aim of the OSs is to clearly establish the environmental and social requirements with which the Bank expects the borrowers or clients to comply. Adopting the OSs is intended to strengthen the capacity of the Bank and the borrowers or clients to:

- better integrate environmental and social impact considerations into Bank operations so as to promote sustainability and long-term development effectiveness in Africa;
- assist RMCs and borrowers/clients in strengthening their own safeguard systems and develop their capacity to manage environmental and social risks;
- prevent projects from adversely affecting the environment and local communities; where prevention is not possible, to minimize, mitigate and/or compensate for adverse effects;
- systematically consider the impact of climate change on the sustainability of investment projects and the contribution of projects to global greenhouse gas emissions;
- delineate the roles and responsibilities of the Bank and its borrowers or clients in implementing projects, achieving sustainable outcomes, and promoting local participation; and
- contribute significantly to the harmonization of practices with other Multilateral Development Banks (MDBs).

The selection of OSs included in the Bank’s ISS has been based upon:

- Existing Bank policy commitments;
- Relevance to key environmental and social issues in the region;
- Lessons learned from applying the environmental and social policies/procedures in the Bank;
- Harmonization with other MDBs and the MFI Working Group on Environment;

- Alignment with international conventions and standards; and
- Limiting the amount to the minimum required to be consistent with achieving the optimal functioning of the ISS.

The selected Operational Safeguards are:

OS 1: Environmental and Social Assessment

This overarching OS governs the process of determining a project’s environmental and social category and the resulting Environmental and Social Assessment requirements. The requirements cover the scope of application, categorization, use of Strategic Environmental and Social Assessment (SESA) and Environmental and Social Impact Assessment (ESIA) where appropriate, Environmental and Social Management Plans, climate change vulnerability, public consultation, community impacts, treatment of vulnerable groups – including indigenous peoples – and grievance procedures. It consolidates the policy commitments set out in the Bank’s policy on the environment. It also updates the requirements to take advantage of best practice among the MDBs on a number of operational issues.

OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation

This OS consolidates the policy commitments and requirements set out in the Bank’s policy on involuntary resettlement and incorporates a number of refinements designed to improve their operational effectiveness. In particular, the OS embraces comprehensive and forward-looking notions of livelihood and assets, to account for their social and cultural dimensions, as well as their economic ones. It also adopts a progressive understanding of community and common property that emphasizes the crucial need to maintain social cohesion, community structures, and the social inter-linkages that common property provides. The OS highlights the fundamentals of the Bank’s existing involuntary resettlement policy, namely the need to provide compensation at full replacement cost, the importance of achieving resettlement that improves standards of living, income-earning capacity, and overall means of livelihood, and the need to ensure that potential aspects of social considerations – such as gender and age – do not disadvantage particular Project Affected People (PAP).

OS 3: Biodiversity and Ecosystem Services

This OS translates the policy commitments in the Bank’s policy on integrated water resources management into operational requirements and also reflects the objectives of the Convention on Biological Diversity (CBD) to preserve biological diversity and promote the sustainable use of natural resources. It reflects the importance of biodiversity on the African continent and the value to the population of key ecosystems. Its content has benefited from recent joint work among the MDBs to improve their approach in assessing how the potential impacts of projects on different types of habitats can be avoided, minimized or offset.

OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency

This OS covers the range of key pollution, waste, and hazardous materials impacts for which there are agreed international conventions as well as comprehensive industry-specific standards

that are followed by other MDBs and financial institutions that have adopted the Equator Principles. It also introduces a Greenhouse Gases (GHG) emission threshold for projects to trigger a detailed analysis of feasible reduction or offset measures, and reporting on emission levels. Borrowers or clients are required to consider measures to improve resource efficiency.

OS 5: Labor Conditions, Health and Safety

This OS aligns the Bank's requirements for its borrowers or clients with the range of ILO conventions concerning workers' conditions, rights and protection from abuse or exploitation. This OS also ensures harmonization with most other MDBs and the financial institutions that have adopted the Equator Principles. It covers working conditions, workers' organizations, avoidance of child or forced labor and occupational health and safety.

References to Multilateral Environmental Agreements (MEA) in the context of the Operational Safeguards should be understood to include as relevant the following;

Biological Diversity

- Convention on Biological Diversity (CBD)
- Cartagena Protocol on Biosafety
- Nagoya Protocol on Access and Benefit Sharing
- Convention on Migratory Species (CMS)
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- International Treaty on Plant Genetic Resources for Food and Agriculture
- Convention on Wetlands (Ramsar)
- Convention concerning the Protection of the World Cultural and Natural Heritage (WHC)

Chemicals and Waste Management

- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides
- Stockholm Convention on Persistent Organic Pollutants

Climate, Atmosphere and Deserts

- UN Convention to Combat Desertification (UNCCD)
- Convention United Nations Framework on Climate Change (UNFCCC)
- Kyoto Protocol on reduction of greenhouse gases emissions
- Vienna Convention for the Protection of the Ozone Layer
- Montreal Protocol to Amend the Vienna Convention on the Protection of the Ozone Layer

INTRODUCTION

During the ADF XII and GCI processes in 2010, and at the request of shareholders, the Bank committed itself to revising and upgrading its environmental and social safeguard policies and procedures by preparing and adopting an ISS and by promoting the mainstreaming of climate-change considerations into its safeguards' review and compliance process.

The Bank adopted a set of ESAPs in 2001 and a policy on the environment in 2004. It also adopted a policy on involuntary resettlement in 2003. These provide the core of the Bank's current environmental and social safeguards, including the requirements for an appropriate level of environmental and social assessment and preparation of environmental, social, and management measures – including requirements for dealing with involuntary resettlement.

The Bank also has a significant number of other cross-cutting and sector policies that, to varying degrees, contain commitments to achieve environmentally and socially sustainable development in the course of Bank operations. These include policies on gender, poverty-reduction, disclosure of information, cooperation with civil society organizations, integrated water resources management, agriculture and rural development, health and others. However, none of these aim to provide clear and specific safeguard requirements to be met as a condition of Bank funding.

The Bank has concluded that this portfolio of policies is unsuitable as the basis of an integrated and effective set of environmental and social safeguards. Its analysis of recent experience in applying these policies finds the following problems: i) high transaction costs within the Bank and among its clients, attributable to time and effort required to consider diverse sources of policy; ii) the dilution of important subjects because of the uneven coverage of relevant issues addressed in different policies; iii) hindrances in implementation because of conflicting priorities and potential conflicts between policies; and iv) difficulties in monitoring the compliance of borrowers and the Bank itself.

The Bank's conclusion, therefore, is that: the adoption of OSs will provide an integrated and updated set of policy requirements on environmental and social safeguards that clearly delineates the Bank's requirements to borrowers and to the Bank's operations departments. The adoption of a revised ESAP will help to facilitate compliance with the Bank's OSs. In September 2010, the Bank's Operations Committee approved the concept note, "Towards an Integrated Safeguards System". This document detailed the rationale for adopting an ISS and how it could be developed.

Following the approval of the concept note, the Compliance and Safeguards Division (ORQR.3) – within the Quality Assurance Department – began to design the ISS. This report presents the outcome of the revision of policies and establishment of the Integrated Safeguards System (ISS).

The Bank's ISS consists of: i) a safeguard policy statement, ii) a set of Operational Safeguards (OSs), Environmental and Social Assessment Procedures (ESAP) and iii) associated Integrated Environment and Social Impact Assessment (IESIA) guidance materials:

- Operational Safeguards are clear statements of what the Bank requires from its borrowers or clients in terms of conducting best practice environmental and social assessments of operations that may be financed or managed by the Bank, and identifying specific standards or risk management measures that should be adopted as a condition of Bank support.
- Environmental and Social Assessment Procedures (ESAP) provide information of the specific procedures that the Bank and its borrowers or clients should follow to ensure that Bank operations meet the requirements of the OSs at each stage of the Bank's project cycle.
- Integrated Environment and Social Impact Assessment (IESIA) Guidance Notes provide technical guidance relating to specific methodological approaches or standards and management measures relevant to meeting the OSs. They have been elaborated on the basis of the existing IESIA, which was adopted in October 2003 and was revised using best available knowledge and international experience. The existing IESIA guidelines have also been supplemented by the results and recommendations from specific detailed studies of Involuntary Resettlement, Country Systems and Indigenous People commissioned by the Bank and executed in a participatory manner by independent international expertise.

The revised ESAP procedures have been produced, and the IESIA guidelines – which are currently being designed as well – will be adopted and disseminated by the Bank to guide borrowers and clients, Bank experts, and government authorities on requirements for compliance with environmental and social safeguards.

The key objectives of the ISS are to bring together the relevant Bank policy commitments, requirements, procedures and guidance material into one integrated system so that it is clear to the borrower or client what the Bank requires and how these requirements should be put into practice. Where appropriate, the ISS entails environmental and social safeguard commitments arising out of international treaties and conventions to which most, if not all, of its RMCs are signatories.

The ISS also entails the Bank's commitment to development effectiveness as set out in the 2005 Paris Declaration (and the Accra Agenda for Action of 2008) by aligning with national systems, regulations, rules and procedures, and by harmonizing – to the extent feasible – with best practice among MDBs and other international institutions. The Bank will therefore support countries and promote activities that are in adequacy with the FAO voluntary instruments and guidelines, which are internationally accepted standards and principles for responsible practices¹ and are mostly derived from the Millennium Development Goals. The Bank will incorporate the relevant aspects into its IESIA Guidance Notes and will foster their recognition by member countries' relevant agencies, and incorporation into country systems.

¹ Reference is made to the FAO Voluntary Guidelines on the Right for Food, Code of Conduct for Responsible Fisheries; International Code of Conduct on the Distribution and use of Pesticides, Voluntary guidelines on Responsible Management of Planted Forests; and Fire Management Voluntary Guidelines, Principles and Strategic Actions.

SAFEGUARD POLICY STATEMENT

1. Background and context

The African Development Bank (the Bank) is committed to providing financial and technical support to its Regional Member Countries (RMCs) to bring about sustainable economic and social development. This commitment entails a joint undertaking to tackle poverty issues while avoiding any unintended direct or indirect environmental or social impact on communities arising from Bank operations. It recognizes that, in Africa, human well-being is particularly dependent on the quality of the environment and the sustainable use of natural resources.

The Bank acknowledges the indication from African governments, civil society and private sector stakeholders given during the regional consultations that "assistance in lifting out of poverty millions of people living in Africa must continue being acknowledged as the core development challenge of the African Development Bank to which the Integrated Safeguards System should contribute to achieve. Environmental and social protection in the Bank's support to its RMCs should focus on promoting Sustainable Development".

African stakeholders have also recognized that safeguards are necessary for both public and private sector projects, and called upon the Bank to:

- Balance the short term as well as long term tradeoffs between development and environmental sustainability,
- Strengthen institutional frameworks and governance in countries to underpin environmental sustainability,
- Strengthen the Bank's compliance functions and units to ensure that mandatory as well as special environmental and social compliance monitoring and supervision missions are fully implemented when the ISS is rolled out,
- Mobilize more financial resources for the environment and increase access to funding for civil society groups, especially with regards to their status as reliable and independent third parties on supervision and monitoring,
- Actively participate together with borrowers in environmental monitoring and supervision during project implementation,
- Harmonize its safeguard policies with the RMC environmental and social policies, and increase use of country systems while ensuring constant dialogue with other international partners.

This policy statement draws from cross-cutting policies in recent years, most notably on the environment (2004), involuntary resettlement (2003), gender (2001) and co-operation with civil society organizations (2001), sectoral policies including in integrated water resources management (2000), health (1996), agriculture and rural development² (2000) and poverty

² The policy has been supplemented in 2010 by an agricultural sector strategy which was further revised in 2012 with the objective of enhancing Bank's contribution to agricultural productivity, food security and poverty reduction while ensuring the sustainability and resilience of agricultural infrastructure and protection of the natural resource base. This will entail increase monitoring and audit, climate proofing, use of carbon neutrality principle in design, renewable energy and mitigation measures.

reduction (2004). It aims at establishing the objectives and scope of the Bank's Integrated Safeguards System (ISS). The ISS is designed to put these policy commitments into practice in a more effective and efficient manner and to suggest how the Bank and its borrowers/clients should work together to tackle key environmental, climate change and social considerations in preparing and implementing Bank operations to meet the needs of the African continent.

The Bank believes that effective implementation of an ISS will enhance the quality of its operations, increase public accountability and transparency, and help to deliver sustainable development. The Bank is also committed to implementing the ISS in a manner that helps to strengthen the capacity of Regional Member Country systems for environmental and social risk management as well as the environmental and social safeguards capacity of borrowers or clients.

2. Bank's commitments and responsibilities

Increased level of compliance

The Bank is committed to ensuring that all its operations, public and private sector, comply with the Operational Safeguards on environmental and social risks and impacts – including those associated with climate change – by assessing environmental, climate change and social risks and impacts as early as possible in the project cycle, and ensuring the effective auditing, monitoring and supervision of agreed environmental and social management measures during implementation.

Safeguard application to entire portfolio

The Bank recognizes the need to apply the appropriate type and level of Environmental and Social Assessment (ESA) to its range of operations. In addition to Environmental and Social Impact Assessment (ESIA) for investment projects, the Bank will apply Strategic Environmental and Social Assessment (SESA) for its own regional, country and sectoral strategies and for its lending for program-based operations in cases where there is a high level of environmental and social risk.

Support to clients and countries

The Bank is also committed to providing its borrowers or clients with high-quality technical guidance and practical support for carrying out the necessary analytical and procedural steps required under the Operational Safeguards.

The Bank emphasizes the importance of requiring the borrower or client to conduct the appropriate level of environmental and social assessment through its categorization system, which is designed to be compatible with systems employed by the main MDBs and by other development finance institutions.

Proportionality and adaptive management

The Bank also recognizes the importance of applying a proportionate and adaptive approach to Environmental and Social Management Plans (ESMPs) agreed with borrowers or clients as a condition of project financing. The agreed management measures should be proportionate to the

level of environmental and social risk and should be capable of being adapted to changing circumstances during a project's implementation.

Transparency and inclusivity

Throughout the environmental and social assessment process, the Bank is committed to ensuring the borrower or client engages in meaningful and transparent consultation with affected communities, in particular with vulnerable groups, to ensure that they can participate in a free, prior and informed³ manner in decisions about avoiding or managing environmental or social impacts.

Human Rights and vulnerable groups: Indigenous Peoples inclusive

The African Development Bank is committed to the promotion of respect to Human Rights in the African continent and the protection of vulnerable groups – particularly Indigenous Peoples – within the context of national systems and regulations. The Bank will promote the application by countries of the international norms and standards enshrined in the Human Rights declarations of the United Nations and the African Union.

Furthermore the Bank will make use of the policy, operational guidelines, and best practice set by the International Association of Impact Assessment (IAIA)⁴ on Indigenous Peoples and Human Rights. The Bank has also included relevant operational requirements specific to projects to be implemented on Indigenous Peoples' territories especially in OS2 on resettlement and OS3 on biodiversity and ecosystem services, in concordance with the above enumerated principles.

Harmonization and facilitation of donor coordination

The Bank is fully committed to maximising efficiency and minimizing costs for its borrowers and clients in regards to compliance with environmental and social safeguards. Accordingly, the Bank actively supports the harmonization of safeguards implementation in the context of cofinancing. Therefore, when the Bank participates to operations led by other Development Finance Institutions or other financial partners, it will perform supplementary due diligence as necessary to complete the environmental and social assessment in order to comply with its own safeguards. When the Bank leads the operation, it will make sure that the implementation of its own environmental and social requirements will reasonably meet the requirements of other participating partners.

The Bank also emphasizes its own obligations regarding proactive public disclosure and access to information and will stick to it and require its borrowers and clients to do the same.

Compliance monitoring and supervision of safeguards

³ Free: of intimidation or coercion; prior: timely in relation to the assessment process, allowing sufficient time to access and understand information and prepare responses; informed: provision of relevant, understandable and accessible information, in the appropriate language in advance.

⁴ Respecting Indigenous Peoples and Traditional Knowledge, International Best Practice Principles, April 2012. Special Publication Series No. 9, IAIA\PUBS\SP9.indd (04/12), International Association for Impact Assessment., info@iaia.org, www.iaia.org .

The Bank recognizes the importance of working in close cooperation with its borrowers and clients in the implementation of the operational safeguards with the view of strengthening the capacity of country systems in regards to the management of the environmental assessment process. It will therefore monitor implementation through quarterly reports by borrowers and clients and during its own supervision missions. For projects presenting high environmental and social risks, the Bank will – at its own discretion – perform compliance audits.

The Bank can, occasionally and in consultation with borrowers and/or clients, have recourse to an independent third party to monitor its projects' environmental and social performance, especially for complex projects or when conflicts with host communities arise. The commissioned studies shall be openly available to all parties and further discussion and agreement on its conclusions and recommendations shall result in an implementable action plan with indicators.

Independent Review Mechanism (IRM)

The Bank Group has established the Independent Review Mechanism (IRM) to provide people adversely affected by its financed projects with a recourse mechanism through which they can ask the Bank to comply with its own policies and procedures. Complainants have the opportunity to come to the IRM in cases when, in their opinion, their complaints would not be resolved or remedial actions agreed with Bank management. The IRM can receive requests from any group of people, duly authorized representatives of communities, organizations, associations, and the boards of directors. The IRM handles the complaint through problem-solving (mediation) and/or compliance review.

The ISS will be closely tied to the Bank Business Processes and Products (BPP) through creation of compliance checkpoints and will generate key safeguard information that can be integrated into project documentation and used in the requests and clearance processes. It will therefore serve as the superseding reference for all matters directly linked to safeguards and compliance, as well as for management of environmental and social risks associated with operational as well as programmatic activities.

3. Definition of goods harmful to the environment in Bank's Exclusion List:

Bank's Policy on Expenditure Eligible Goods, 2008 includes a Negative List which bans public as well as private investment in goods which are "*harmful to the environment*" without explicitly defining what this means. On the basis of international best practice (in particular experience gained using IFC exclusion list) and with particular reference to criteria provided in the various Operational Safeguards, AfDB defines the followings as harmful to the physical as well as social environment and excludes from its eligible operations:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- Production or trade in radioactive materials with the exception of medical material and quality control equipment where the radioactive source is trivial and adequately shielded;
- Production or trade in or use of unbonded asbestos fibers or other products with bonded asbestos as dominant material;
- Production or trade in pharmaceuticals, chemical compounds and other harmful substances subject to international phase outs or bans;

- Production or trade of ozone depleting substances subject to international phase-out
- Trade in wildlife or wildlife products regulated under CITES;
- Purchase of logging equipment for use in unmanaged primary tropical rainforest;
- Production and activities involving harmful or exploitative forms of forced labor and/or child labor as defined by national regulations.

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OPERATIONAL SAFEGUARDS

The Bank has adopted a series of five Operational Safeguards:

- OS 1 on Environmental and Social Assessment sets out the Bank's overarching requirements for borrowers or clients to identify, assess and manage the potential environmental and social risks and impacts of a project, including climate change issues.
- OSs 2-5 support the implementation of OS1 and set out specific requirements relating to different environmental and social issues, including gender and vulnerability issues, that are triggered if the assessment process reveals that the project may present a risk of the type described in the OS.

1. OS1. Operational Safeguard on Environmental and Social Assessment

Objectives

The objective of this overarching OS, along with the accompanying set of OSs that support it, is to mainstream environmental and social considerations – including those related to climate change vulnerability – into Bank operations and thereby contribute to sustainable development in the region.

The specific objectives are to:

- mainstream environmental, climate change and social considerations into Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs);
- identify and assess the environmental and social impacts, including gender and climate change impacts and vulnerability issues, of Bank lending and grant-financed operations in their area of influence;
- avoid or, if not possible, minimize, mitigate and compensate for adverse impacts on the environment and on affected communities;
- ensure a minimum requirement for stakeholders' participation during the consultation process so that affected communities and stakeholders have timely access to information in suitable forms about Bank operations, and are consulted meaningfully about issues that may affect them;
- bring about the effective environmental and social risk management of projects during and after implementation; and
- contribute to strengthening RMC systems for environmental and social risk management.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank, except for Short Term Emergency Relief which is specifically exempted.

Environmental and Social Assessment work carried out under this OS will determine if the operations involve activities or components that pose any specific risks covered by OSs 2-5 and therefore if the relevant requirements need to be met. The Bank is committed to review and

disclose all impact assessment related documentation prior to reaching any official decision on funding investment operations.

Borrowers or clients are responsible for conducting the environmental and social assessment and for developing an appropriate Environmental and Social Management Plan (ESMP) as ESIA or SESA and ESMP are an integral part of project documentation. However, Bank's operational staff should support the due diligence process while the Compliance and Safeguards Division will ensure that borrowers and clients are fully aware of Bank policies and procedures and that deliverables as well as the compliance process are righteously conducted to ensure good quality.

OS requirements

Environmental and Social Assessment

The Bank, in partnership with Regional Member Countries (RMC), will apply best practice environmental and social assessment tools to mainstream environmental – including climate-change impacts and vulnerabilities – and social considerations into Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs).

The Bank requires the borrower or client to conduct an appropriate type and level of Environmental and Social Assessment (Strategic Environmental and Social Assessment (SESA) or Environmental and Social Impact Assessment (ESIA)) and/or prepare an Environmental and Social Management Plan (ESMP) of all Bank operations according to the Bank's Environmental and Social Assessment Procedures (ESAP). This assessment shall include an assessment of climate change impacts, potential adaptation and mitigation measures and vulnerability of populations and their livelihoods.

The specific type and level of Environmental and Social Assessment will be determined by the categorization system required as part of project screening as set out in the Bank's ESAP, incorporating the screening of climate change impacts potential adaptation and mitigation measures and vulnerability of populations and their livelihoods, based on information provided by the borrowers or clients about the scope and nature of the project.

The assessment will be conducted so as to include the project's area of influence (including upstream and downstream), the proposal's purpose, needs, and sufficient detail to support the adherence to policies, as well as best practices, environmental standards and an assessment of impacts of a proposal and its feasible alternatives. This includes the size, processes, site design, construction and expansion sequencing and any new infrastructure for transportation, energy, communications and public health including drinking water, wastewater and waste management, collection, treatment and disposal, raw materials used, sources and means of access, releases to the environment and any plans for pollution control and minimization.

The project's geographic and temporal area of influence shall be delimited and explicitly discussed in any impact assessment and integrated into the design for the entire project cycle including closure and post-closure. The Bank considers that both borrower and recipient country are responsible for engaging with any third parties (including communities, parastatals and private sector) to assess levels of responsibility and carry out an assessment of equivalence for any due diligence material that will be used in the decision-making process. Depending on the physical nature of the project, the area of influence will encompass, as appropriate:

- the area likely to be directly affected by the project;
- related or associated facilities⁵ dependent on the project that are not funded by the project and that would not have been implemented if the project did not exist; and
- areas, including the communities within them, potentially affected by unplanned but predictable activities likely to be induced by the project.

The assessment shall cover, in an integrated way, all relevant direct, indirect and cumulative environmental and social risks and impacts, including those specifically covered in the accompanying OSs. Potential impacts include socio-economic, physical (e.g. geology and soils, surface and groundwater resources, air resources and climate, noise and vibration, prominent vista and aesthetic features), biological (flora, fauna both resident and migratory, ecosystems, endangered and threatened species, their habitats and protected areas, poaching), socio-economic and cultural (e.g. livelihood impacts, resettlement, community social structure, gender, vulnerable groups, health, safety, cultural property); as well as transboundary impacts and global impacts including greenhouse gas (GHG) emissions, vulnerability to climate-change effects and potential adaptation and mitigation measures. During the scoping phase, the assessment shall determine the range of likely potential risks and impacts and shall also determine if specific requirements of the Bank's Operational Safeguards shall apply.

In line with any relevant requirements in the Bank's Operational Safeguards, the assessment should consider real alternatives to the project's location and/or design and should seek to avoid adverse impacts and apply the mitigation hierarchy potential ; if avoidance is not possible, to reduce and minimize potential adverse impacts; if reduction or minimization is not sufficient, to mitigate and/or restore; and as a last resort to compensate and offset.. The assessment should in any circumstances also comply with relevant legislation and standards applicable in the local jurisdiction as well as take into consideration programming documents at national and regional levels (i.e. Country Strategy Papers (CSP) and/or Regional Integration Strategy Papers (RISP) that are under implementation or in preparation).

Where needed, the assessment shall lead to a comprehensive and effective ESMP with a realistic timeframe, incorporating the necessary organizational capacity and financial resources, to address and manage the environmental and social risks that may occur during the full project cycle.

The assessment shall be conducted according to the principles of proportionality and adaptive management. The level of assessment and management required should be proportionate to the level of risk that the project poses and the management measures adopted should be capable of being adapted to changing circumstances during the full project cycle.

The Bank intends that the assessment process will support and strengthen existing country systems for environmental, climate and social risk management, including those specifically related to OSs 2-5, such as systems and institutions covering resettlement, biodiversity protection, pollution control, and labor standards. In this context, the borrower or client shall conduct the assessment and preparation of an ESMP in a manner that complies with existing country systems

⁵ In some cases, associated facilities may have been subject to environmental and social safeguard policies of other funding institutions equivalent to the Bank's OSs.

for assessing and managing environmental and social risks and impacts. The borrower or client should also try to help build stronger capacity among local organizations involved in the process.

The assessment and derived environmental and social management plan and/or resettlement action plan shall align with the Bank's standards covered in this OS1 and guidance as provided in the Environmental and Social Assessment Procedures (ESAP) and the revised Integrated Environmental and Social Impact Assessment guidance notes (IESIA).

Project screening and categorization

All Bank lending instruments, including program-based operations, program lending that leads to individual sub-projects, lending to financial intermediaries and grant-financed facilities managed by the Bank shall be subject to project screening and categorization except short term emergency relief operations which are exempted from categorization and further assessment.

The categorization system follows the principle of using the appropriate type and level of environmental and social assessment for the type of operation. Through the Bank operations staff, the borrower shall screen the project and propose a category as well as supporting documentation and baseline data to allow Bank's Compliance and Safeguards Division to review and validate the proposed category. Responsibility of appropriate categorization is therefore shared by Bank and its borrowers and should be based on reasonably accurate due diligence material emanating from country systems.

When uncertainty remains on project component or exact location, an ESMP cannot be developed but an Environmental and Social Management Framework (ESMF) should be devised to guide the identification, preparation and appraisal of components and activities.

The screening and categorization is required for program-based operations, mainly budget support, or other lending for regional or sectoral programs and can occasionally trigger the preparation of a SESA in cases where there is a significant environmental and social risk. In such a case, an Environmental and Social Management Framework (ESMF) must be designed and implemented by the borrower, in the case of program operations, to manage the environmental and social risks of sub-projects in compliance with the Bank's safeguards.

The Bank's Environmental and Social Screening Procedure and Climate-Change Screening Tool shall be used to determine their Environmental and Social Assessment category in adequacy with the definitions of the 4 categories provided below:

Category 1: Bank operations likely to cause significant environmental and social impacts. Category 1 projects are likely to induce significant and/or irreversible adverse environmental—including climate-change—and/or social impacts, or significantly affect environmental or social components that the Bank or the borrowing country considers sensitive. In a limited number of cases, program-based operations or other regional and sector program loans may have significant adverse environmental or social risks and shall be deemed to be Category 1.

Category 1 projects require a full SESA, in the case of program-based operations or regional and sector loans, or an ESIA, in the case of investment projects, leading to the preparation of an Environmental and Social Management Plan (ESMP). In some cases, projects shall be included in

Category 1 owing to potential cumulative impacts, which will need to be addressed in the ESIA. Any project requiring a Full Resettlement Action Plan (FRAP) under the provisions of the Bank's policy on involuntary resettlement shall also be deemed to be Category 1, in which case the ESIA shall include, and may be limited to, the social assessment needed to prepare the FRAP.

Category 2: Bank operations likely to cause less adverse environmental and social impacts than Category 1. Category 2 projects are likely to have detrimental site-specific environmental and/or social impacts that are less adverse than those of Category 1 projects. Likely impacts shall be few in number, site specific, largely reversible and readily minimized by applying appropriate management and mitigation measures or incorporating internationally recognized design criteria and standards. Most program-based operations and regional or sector program loans designed to finance a set of sub-projects approved and implemented by the borrower or client shall be included in this category unless the nature, scale or sensitivity of the intended pipeline of sub-projects involves a high level of environmental and social risk.

Category 2 projects require an appropriate level of Environmental and Social Assessment (SESA for program operations or ESIA for investment projects) tailored to the expected environmental and social risk so that an adequate ESMP can be prepared, in the case of an investment project, or an Environmental and Social Management Framework (ESMF) can be designed and implemented by the borrower, in the case of program operations, to manage the environmental and social risks of sub-projects in compliance with the Bank's safeguards.

Category 3: Bank operations with negligible adverse environmental and social risks. Category 3 projects do not directly or indirectly affect the environment adversely and are unlikely to induce adverse social impacts. They do not require an environmental and social assessment. Beyond categorization, no action is required. Nonetheless, to design a Category 3 project properly, it may be necessary to carry out gender analyses, institutional analyses, or other studies on specific, critical social considerations in order to anticipate and manage unintended impacts on the affected communities.

Category 4: Bank operations involving lending to Financial Intermediaries (FI). Category 4 projects involve Bank lending to Financial Intermediaries who on-lend or invest in sub-projects that may produce adverse environmental and social impacts. FIs include banks, insurance, re-insurance and leasing companies, micro-finance providers and investment funds that use the Bank's funds to lend or provide equity finance to their clients. Financial intermediaries shall also be understood to include private- or public-sector companies that receive corporate loans or loans for investment plans from the Bank used to finance a set of sub-projects.

However, in cases where a Bank corporate loan will be used by the client to finance only one or two high-risk investment projects known at the time of loan approval, the loan can be deemed to be Category 1.

Financial intermediaries are required to :

- have adequate corporate Environmental and Social Governance policies and/or to apply the Bank's OSs and/or equivalent procedures to their sub-projects and to comply with local environmental and social requirements ;

- develop and maintain an Environmental and Social Management System (ESMS) in line with the Bank's OSs and appropriate for the scale and nature of its operations ; recognizing that the operations of financial intermediaries vary considerably and in some cases may pose minimal environmental and social risk ;
- demonstrate that it has the management commitment, organizational capacity, resources and expertise to implement its ESMS for its sub-projects ;
- develop and disclose an exclusion list as well as make it available to the Bank when soliciting a loan or a grant⁶.

The Bank shall carry out due diligence of the ESMS and the financial intermediary's organizational capacity before approving the transaction.

Scope of Environmental and Social Assessment

The Environmental and Social Assessment shall cover all relevant direct and indirect impacts, as identified during the scoping phase including any specifically covered in the accompanying Operational Safeguards, for which there are specific requirements:

- OS2: Operational Safeguard on Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation;
- OS3: Operational Safeguard on Biodiversity and Ecosystem Services;
- OS4: Operational Safeguard on Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency; and
- OS5: Labor Conditions, Health and Safety.

In addition, where relevant, assessments should consider the potential impacts on environmental flows in projects involving management and use of water resources as exposed in OS3 on Biodiversity and Ecosystem Services.

All assessments should also systematically consider the full range of potential impacts on local affected communities, and especially on vulnerable groups – including indigenous peoples. The issues on cultural heritage and community impacts are covered below.

Cultural heritage

The borrower or client shall be responsible for ensuring that project sites and designs avoid significant damage to cultural heritage,⁷ including both physical⁸ and intangible⁹ cultural

⁶ The financial intermediary shall make a summary of the ESMS including the exclusion list available to the public locally, e.g. on its website, before the loan can be approved

⁷ Cultural heritage is defined in this document as a group of resources inherited from the past that people identify, independently of ownership, as a reflection and expression of their constantly evolving values, beliefs, knowledge and traditions.

⁸ Physical cultural heritage are movable or immovable objects, sites, structures, groups of structures or natural features or landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic or other cultural significance. Physical cultural heritage may be located in urban or rural settings and may be above or below ground or under water. Their cultural interest may be at the local, provincial, national or international level.

⁹ Intangible cultural heritage are practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artifacts and cultural spaces associated therewith – that communities, groups and in some cases individuals recognize as part of their cultural heritage and that are transmitted from generation to generation.

heritage. Cultural heritage likely to be affected by the project shall be identified and qualified, and experienced experts shall assess the project's potential impacts on this cultural heritage. When a project may affect cultural heritage, or access to it, the borrower or client shall consult with the communities who use or have used it within living memory, to identify its importance and to incorporate the views of these communities into the borrower's decision-making process. Consultation shall also involve relevant national or local regulatory agencies that are entrusted with protecting cultural heritage. The findings shall be disclosed, except when such disclosure would compromise or jeopardize the safety or integrity of the cultural heritage.

When the project is likely to have adverse impacts on cultural heritage, the borrower or client shall identify appropriate measures for avoiding or mitigating these impacts as stipulated in the detailed guidance provided in the Integrated Environmental and Social Impact Assessment guidance notes. These measures may include avoidance, full site protection and selective mitigation, including salvage documentation.

When the proposed location of a project is in an area where it is likely to find physical cultural heritage, chance-finds¹⁰ procedures shall be included in the ESMP. Chance-finds shall not be disturbed until an assessment by qualified experts is made and actions consistent with this OS are identified.

The project shall not remove any physical cultural heritage unless the following conditions are met:

- No technically or financially feasible alternatives to removal are available;
- The overall benefits of the project substantially outweigh the anticipated cultural heritage loss from removal;
- Any removal is conducted in accordance with relevant provisions of national and/or local laws, regulations, protected area management plans and national obligations under international laws; and
- Any removal employs internationally accepted best available techniques.

Community impacts

The borrower or client shall give particular attention to assessing the risks and potentially adverse impacts of the project on local communities, including direct and indirect impacts on their health or safety and indirect impacts on their socio-economic conditions and livelihoods, as part of the environmental and social assessment process. The borrower or client shall establish preventive and management measures consistent with best international practice¹¹ as described in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines)¹². These measures shall ensure that identified risks and potentially adverse impacts are addressed in a manner

¹⁰ Chance-finds refer to the discovery of previously unknown cultural heritage resources, particularly archaeological resources, which are encountered during project construction or operation.

¹¹ Good international industry practice is defined as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.

¹² The EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice. The EHS Guidelines contain the performance levels and measures that are normally acceptable to World Bank Group and are generally considered to be achievable in new facilities, at reasonable costs, by existing technology.

commensurate with their nature and magnitude. The chosen measures shall favor avoiding risks and adverse impacts over minimizing them.

When some elements of risk or negative impact still exist despite adequate attempts to avoid or minimize these, the borrower or client shall inform affected communities of the risk or negative impact in a socially and culturally appropriate manner. The borrower or client shall also be prepared to respond to accidental and emergency situations that may pose a threat to local communities and shall disclose appropriate information about emergency preparedness and response activities, resources and responsibilities to affected communities. In other terms, the borrower or client shall establish adequate emergency preparedness and response plans.

Vulnerable groups, including indigenous peoples

In assessing the potential impacts of a project on affected communities, the borrower or client shall make use of adequate and qualified expertise to identify people and groups that may be directly, indirectly and/or disproportionately affected by the project because of their recognized vulnerable status.

This vulnerable status can be determined by identifying a group's likelihood of facing harder conditions as a result of the project, owing to specific factors such as a group's gender, economic status, ethnicity, religion, cultural behaviour, sexual orientation, language or health condition. Identifying vulnerable groups should be the result of a careful analysis of the social and economic context, the presence of factors that may cause vulnerability, and the capacity of the group to cope or adapt. Depending on the specific context of the project, vulnerable groups may thus include, among others, female-headed households, those below the poverty line, the landless, those without legal title to assets, ethnic, religious and linguistic minorities, those that are handicapped, etc.

Groups that may be considered vulnerable may include social or cultural groups recognized as Indigenous Peoples either by national legislation or according to criteria such as self-identification as members of a distinct indigenous cultural group; collective attachment to geographically distinct habitats or ancestral territories; customary cultural, economic, social or political institutions separate from the dominant society or culture; an indigenous language, often different from the official language of the country.

AfDB seeks to safeguard Indigenous Peoples' lands, natural assets and other cultural heritage and to provide special protection for projects which may involve their resettlement. This position is in adequacy with the Convention on Biological Diversity which urges State Parties to thereto "... respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities...protect and encourage customary use of biological resources in accordance with traditional cultural practices that are compatible with conservation or sustainable use requirements".

Where groups are identified as vulnerable, the borrower or client shall implement appropriate differentiated measures so that unavoidable adverse impacts do not fall disproportionately on these vulnerable groups, and so that they are not disadvantaged in sharing development benefits and opportunities (such as roads, schools, healthcare facilities etc.).

Consultation and participation

The borrower or client shall be responsible for conducting and providing evidence of meaningful consultation (i.e. consultation that is free, prior and informed) with communities likely to be affected by environmental and social impacts, and with local stakeholders. Consultation shall be undertaken with reference to the updated Integrated Environmental and Social Assessment Guidance Notes on Consultation Participation and Broad Community Support.

The consultation shall start at an early stage during the project preparation, shall continue as needed and be based upon a stakeholder analysis. It will also be conducted in a timely manner in the context of key project-preparation steps, in an appropriate language, and in a manner that is accessible and fully informed as a result of prior disclosure of project information. The results of such consultation shall be adequately reflected in the project design as well as in the preparation of project documentation. In all cases, consultation should be carried out in conjunction with the release of environmental and social information.

In the case of Category 1 projects, the affected communities shall be given the opportunity to participate in all stages of project design and implementation. Therefore, stakeholders should be consulted to obtain their input to the preparation of the draft Terms of Reference of the Environmental and Social Assessment, the draft SESA or ESIA report and summary, and the draft ESMP. For Category 2 projects, the affected communities and stakeholders should be consulted about the draft environmental and social assessment report and the draft ESMP. Consultation should be conducted with the objective of ensuring the satisfaction of the broad community support requirements¹³ for the project – especially for Category 1 projects – and that affected people endorse the proposed mitigation and management measures.

In cases where the borrower or client has identified vulnerable groups, including Indigenous Peoples potentially affected by the project, they shall engage in meaningful informed consultation and participation with the vulnerable groups from as early as possible in the project cycle and maintain this throughout. The borrower or client shall demonstrate that consulted individuals or groups can effectively represent the affected groups. In particular, this process of engagement shall:

- Involve representative bodies and civil society organizations, as well as members from the vulnerable groups themselves;
- Ensure inclusivity in a socially and culturally appropriate manner;
- Provide sufficient time for the vulnerable groups' decision-making processes;
- Facilitate the vulnerable groups' expression of their views, concerns and proposals in the language and manner of their choice, without external manipulation, interference, coercion, or intimidation; and
- Respect the culture, knowledge and practices of vulnerable groups, especially Indigenous Peoples.

¹³ Broad community support is a collection of expressions by the affected communities, through individuals or their representatives, of support for the project. Broad community support can exist even if some individuals or groups do not support the project.

Disclosure and access to information

The Bank's revised policy on disclosure and access to information is based upon the principles of maximum disclosure, enhanced access to information, and limited exceptions. The Bank aims to apply these principles to the Environmental and Social Assessment process – ensuring continuous disclosure of key documents during the process and making documents available to the public on request and at key stages of the project cycle, through the Integrated Safeguards Tracking System (ISTS).

As an integral part of the Environmental and Social Assessment Procedures (ESAP), the ISTS's basic purpose is to facilitate the verification of project compliance with the requirements set out in the OSs, over the course of the Project Cycle. More specifically, the ISTS has a number of key functions:

- **Repository function:** The ISTS acts as a repository for key ESA information generated over the lifetime of the project. At each stage of the Project Cycle, fundamental environmental and social information relevant to that stage shall be inserted into the ISTS such that, over the project lifetime, the required information is compiled into one document, to be used to facilitate periodic compliance checks;
- **Tracking function:** The ISTS is linked to the Bank's project management / SAP database system and is thus used to directly monitor project progress. The ISTS is used to ensure that a project can only advance from the Project Preparation Phase to the Project Appraisal Phase once the relevant OS / ESAP requirements have been adequately fulfilled. This is verified by ORQR.3. The ISTS is also used to ensure that a project can only be submitted to the Board once the relevant OS / ESAP requirements have been adequately fulfilled. Verification could be easily done by the Board Secretariat, in cooperation with the relevant safeguard unit (ORQR.3);
- **Access to information function:** The ISTS provides a mechanism through which ESA information can be accessed by the public. The ISTS is made available to the public at the point at which the Project Concept Note (PCN) is approved by OpsCom. The ISTS contains links to the summaries of the ESA studies and links to Full Resettlement Action Plans (FRAP) and to Abbreviated Resettlement Action Plans (ARAP). It also provides the mechanism through which members of the public can request complete versions of all ESA studies, if required.

In the interests of maximum disclosure, the process of disclosure of key Environmental and Social Assessment documents shall, in most cases, begin with the SESA/ESIA scoping memorandum and draft SESA/ESIA ToRs for Category 1 and 2 projects and shall encompass all relevant documents; ESIA drafts, Environmental and Social Management Plan, Environmental and Social Management System, Resettlement Action Plan.

All relevant documents will be made public at all stages of the project cycle through the Integrated Safeguards Tracking System which shall be disclosed in AfDB websites at least 120 days in advance of board consideration of the proposed project for both public and private sector projects. Environmental and social assessments shall also be disclosed at appropriate national and local settings by the borrowers under the direct responsibility and supervision of relevant national/ local authorities. Disclosure shall start early in the project review process and ideally should begin with initial scoping memoranda and draft terms of reference for environmental and

social studies. Namely, the Integrated Safeguards Tracking System shall be updated once the summaries of Environmental and Social Assessment documents (SESAs or ESIA, including the ESMP and required resettlement documents) for Category 1 projects are completed. These are prepared by Bank Group staff with the consent of the borrower and include the staff's conclusions and recommendations regarding environmental and social impacts and preventive or mitigatory measures. They will be made available to the public in the borrowing country, through the Public Information Center, field offices and the Bank's website – including the ISTS.

For Category 2 projects, a summary of the ESMP shall be made available to the public in the borrowing country, through the Public Information Center, the Bank's website, the ISTS and other appropriate channels of information.

In all cases, the full final SESA and ESIA documentation will be accessible to the public on request through the ISTS.

Sector and country departments will address any public inquiry related to the information released by the Bank, with the assistance of the Bank's Safeguards Unit. The communications between the Bank Group and the public shall be documented and kept on file by the sector and country departments.

For Category 4 projects involving Financial Intermediaries, the intermediary shall ensure that the sub-projects that require ESIA undergo the same information-disclosure process in the borrowing country as Category 1 projects funded by the Bank. The ESIA-related documentation shall be included in the project's documentation package used in investment decision making by the Bank.

In projects where a FRAP is required, it shall be released as a supplementary document to the ESIA Summary. For any project involving the resettlement of fewer than 200 persons, an Abbreviated Resettlement Action Plan, together with the ESIA or EMSP, shall be made available in the Public Information Center, field offices, and posted on the Bank Group's website for public review and comment.

Grievance and redress mechanism

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

Implementation of safeguard measures

During project implementation, the borrower or client shall be responsible for the implementation of the ESMP and shall report to the Bank on key management or monitoring tasks as set out in the ESMP. For all projects, the Bank will coordinate with relevant national authorities to ensure that implementation of environmental and social mitigation measures contained in the ESMP, RAP and other relevant loan covenants are duly and jointly monitored and reported during regular bi-annual project supervision missions. Given the scarcity of resources available (human

as well as financial resources), the Bank may conduct compliance audits or appoint an independent monitoring team to follow up the project for only special cases where serious risk of non-compliance with Bank policies and procedures have been detected.

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2. OS 2. Operational Safeguard on Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation

Objectives

The aim of this OS is to facilitate the operationalization of the Bank's 2003 Involuntary Resettlement Policy in the context of the requirements of OS 1 and thereby mainstream resettlement considerations into Bank operations.

This OS relates to occasions in which a Bank-financed project causes the involuntary resettlement of people. It seeks to ensure that when people must be displaced they are treated fairly, equitably, and in a socially and culturally sensitive manner, that they receive compensation and resettlement assistance so that their standards of living, income earning capacity, production levels and overall means of livelihood¹⁴ are improved, and that they share in the benefits of the project that involves their resettlement.

The term resettlement refers to both physical displacement¹⁵ and economic displacement.¹⁶

Resettlement is considered involuntary when the project-affected people are not in a position to refuse the activities that result in their physical or economic displacement. This occurs in cases of lawful expropriation or temporary or permanent restrictions on land use, and in negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

When badly planned or inadequately implemented involuntary resettlement represents a significant additional cost to the main project and can have long-term adverse consequences for the people affected and communities in the surrounding region, those affected may be subjected to a range of potentially severe impoverishment risks. Assets¹⁷ or income sources may be lost, people may be relocated to settings in which their productive skills are less useful, competition for education, natural resources and other services may be greater – possibly resulting in civil unrest – community¹⁸ institutions and social networks may weaken, kinship groups may be dispersed, and cultural identity, traditional authority and the potential for mutual social responsibility, help, co-operation and cohesion may diminish. This OS attempts to assist borrowers or clients, with support from relevant Bank staff, in addressing these potential costs and risks associated with involuntary resettlement and, in doing so, help to facilitate sustainable development.

The specific objectives of this OS mirror the objectives of the involuntary resettlement policy, namely to:

¹⁴ Livelihood refers to the full range of economic, social and cultural capabilities, assets, and other means that individuals, families and communities use to satisfy their needs.

¹⁵ Physical displacement refers to relocation or loss of shelter.

¹⁶ Economic displacement refers to loss of assets, restriction of access to assets, loss of income sources or loss of means of livelihood.

¹⁷ Assets include both economically productive assets (e.g. land, forest, livestock and seeds), but also assets that have social or cultural, rather than economic, value (e.g. sacred sites and community structures).

¹⁸ Community refers to a group of people who form around an underlying, instinctive commonality that is built upon, and sustained by, mutual confidence, interaction and co-operation.

- avoid involuntary resettlement where feasible, or minimize resettlement impacts where involuntary resettlement is deemed unavoidable after having explored all other alternative project designs;
- ensure that displaced people are meaningfully consulted and given opportunities to participate in the planning and implementation of resettlement programs;
- ensure that displaced people receive significant resettlement assistance under the project, so that their standards of living, income-earning capacity, production levels and overall means of livelihood are improved beyond pre-project levels;
- provide explicit guidance to borrowers, with support from relevant Bank staff, on the conditions that need to be met regarding involuntary resettlement issues in Bank operations in order to mitigate the negative impacts of displacement and resettlement, actively facilitate social development and establish a sustainable economy and society; and
- set up a mechanism for monitoring the performance of involuntary resettlement programs in Bank operations and remedying problems as they arise so as to safeguard against ill-prepared and poorly implemented resettlement plans.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process—specifically at the project-screening phase of the project cycle, at which point the magnitude, strategy and timing of the resettlement should be determined.

This OS covers all components of a project, including activities resulting in involuntary resettlement that are directly and significantly related to a Bank-assisted project; necessary to achieve its objectives; and carried out or planned to be carried out contemporaneously with the project. It intends to clarify all aspects of impacts related to land acquisitions, while all possible issues related to physical and economic displacement which are not specifically related to land acquisition are dealt with in OS1.

In line with the framework in the involuntary resettlement policy, this OS covers economic, social and cultural impacts associated with Bank-financed projects involving involuntary acquisition of land, involuntary acquisition of other assets, or restrictions on land use and on access to local natural resources which result in:

- Relocation or loss of shelter by the people residing in the project area of influence;
- Loss of assets or restriction of access to assets including national parks, protected areas or natural resources; or
- Loss of income sources or means of livelihood as a result of the project, whether or not the people affected are required to move.

This OS should also be taken into account when a project requires the temporary relocation of people. In that case, the resettlement activities should be subject to consideration and criteria that are consistent with this OS, while taking into account the temporary nature of the displacement. The objectives would be to minimize disruption to the people affected, avoid irreversible

negative impacts, provide satisfactory temporary services and – where appropriate – compensate for transitional hardships.

This OS excludes the settlement of refugees and victims of natural disasters. It also excludes resettlement resulting from voluntary land transactions, that is, market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail.

Eligibility and entitlements

In alignment with the involuntary resettlement policy, three groups of displaced people shall be entitled to compensation or resettlement assistance for loss of land or other assets taken for project purposes:

- Those who have formal legal rights to land or other assets recognized under the laws of the country concerned. This category will generally include people who are physically residing at the project site and those who will be displaced or may lose access or suffer a loss in their livelihood as a result of project activities.
- Those who may not have formal legal rights to land or other assets at the time of the census/evaluation but can prove that they have a claim that would be recognized under the customary laws of the country. This category may also include those people who may not be physically residing at the project site or persons who may not have any assets or direct sources of livelihood derived from the project site, but who have spiritual and/or ancestral ties with the land and are locally recognized by communities as customary inheritors. They may also be considered as such, depending on the country's customary land use rights, if they are sharecroppers, tenant farmers, seasonal migrants or nomadic families losing user rights.
- Those who have no recognizable legal right or claim to the land they are occupying in the project area of influence and who do not fall into any of the two categories described above, but are entitled to resettlement assistance in lieu of compensation for land to improve their former living standards (compensation for loss of livelihood activities, common property resources,¹⁹ structures and crops, etc.), provided they themselves or witnesses can demonstrate that they occupied the project area of influence for a reasonable time (at least six months) prior to a cut-off date established by the borrower or client and acceptable to the Bank.

OS requirements

Project design

The borrower or client shall consider feasible alternative project designs, including re-siting and re-routing, to avoid or minimize physical or economic displacement, while balancing environmental, social and financial costs and benefits. When the resettlement implications of a project would appear to be particularly severe, the borrower shall consider either downsizing the project to reduce resettlement or finding other alternatives that can reasonably replace the project.

¹⁹ Common property resources are those that have value in their entirety, are used communally, and are either owned by the government or by more than one individual on a shared or communal basis.

For greater transparency and fairness, all stakeholder groups shall be involved as early as possible, at least at the time when the first project plans are drafted and thereafter through implementation. Since dissemination of findings is critical to developing effective measures for mitigating adverse impacts and optimizing benefits, it should be a continuous process incorporating the ongoing learnings from the communities and changes in the conceptual design of the project.

In order to enable access to information early in the design phase to help identify options for avoiding or mitigating adverse impacts that might pose risks to project costs, schedules, and affected people, the borrower or client shall continuously disseminate project plans and assessment findings to stakeholders.

Borrower or client shall also involve all stakeholder groups and affected people before completion of the project design and assess and include their inputs so that the project design can be properly altered and ensure that their involvement is continued in the process of monitoring and evaluating resettlement and compensation projects and programs and options assessment.

Consultation, participation and broad community support

Specific consultation, participation and broad community support guidelines are incorporated in the revised Integrated Environment and Social Impact Assessment Guidance Notes which are part of the Integrated Safeguards System. Open, inclusive and effective consultation with local communities shall be guided by and include the following elements which stem out of United Nations basic principles on development-based evictions and displacement (2007):

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

When displacement cannot be avoided, all stakeholders, particularly the people affected and the host communities, shall be meaningfully consulted and involved at all stages of the project cycle in a clear and transparent manner. They shall be actively involved in designing, planning, implementing, monitoring, and evaluating the resettlement action plan discussed below. The incorporation of local knowledge into the resettlement action plan shall be made a particular priority. Community participation helps to ensure that compensation measures, development programs and service provisions reflect the needs and priorities of the people affected and their hosts.

The people affected shall be consulted about their preferences pertaining to resettlement and shall be given genuine choices among technically, economically, and socially feasible resettlement options. In particular, they shall be given the opportunity to participate in the negotiation of compensation packages, and on decisions on resettlement assistance and how standards of living, income earning capacity, production levels and overall means of livelihood might be improved through the resettlement action plan. They will also be consulted for decisions on eligibility requirements, the suitability of proposed resettlement sites and the proposed resettlement timings.

Relevant resettlement and other project information shall be well disseminated throughout the project area of influence in a timely manner and in a form that is appropriate and understandable to local people.

Special attention shall be given to consultations that involve vulnerable²⁰ groups, including Indigenous Peoples. In the context of gender vulnerability, for example, careful consideration shall be given to actively facilitating consultation with and participation by both women and men in ways that are sensitive to the social and political constraints and barriers that women and men may face. Particular attention shall be paid to the location and scheduling of consultation activities to ensure that people of all ages and social groupings can attend and participate with confidence and ease. The ways in which information is disseminated shall also be carefully considered as levels of literacy and networking may differ according to age, gender, economic status and other lines of social hierarchy/discrimination.

Broad Community Support (BCS) is considered by the Bank as a key principle and an achievement which should demonstrate that borrowers and clients have been able to achieve openness, transparency, and inclusiveness in decision making about the project, and that genuine efforts to maximize benefits to communities and reduce any harmful impacts have been made. The Bank therefore requires that borrowers and clients fulfill the following elements:

- Ensure that Broad Community Support is obtained for projects that may significantly adversely impact local communities by accurately identifying and characterizing risks;
- Appropriately inform local communities that a BCS requirement is embedded in the Bank's policy and procedures and ensure that they can access any guidance available on how BCS should be implemented;
- Provide and insert into the project appraisal document an expressly written statement embodying the agreements reached from the negotiations with affected people as a guarantee that consultations were conducted in a meaningful way.

The Bank shall use adequate resources to monitor consultation and community participation, as well as the delivery and implementation of any commitment made to communities within the resources and lifespan of the project.

²⁰ This vulnerable status can be determined by identifying a group's likelihood of facing harder conditions as a result of the resettlement, owing to specific factors, such as a group's gender, economic status, ethnicity, religion, language or health condition. Depending on the specific context of the resettlement operation, vulnerable groups may thus include, among others, female-headed households, those below the poverty line, the landless, those without legal title to assets, ethnic, religious and linguistic minorities, those who are handicapped, etc. Identifying vulnerable groups should be the result of careful analysis of the social and economic context, the presence of factors that may cause vulnerability and the capacity of the group to cope or adapt.

Resettlement planning

The borrower or client shall carry out a comprehensive socio-economic survey – in line with international standards for social and economic baseline studies as agreed to within the context of the Environmental and Social Assessment process – including a population census, an inventory of assets (including natural assets upon which the affected people may depend for a portion of their livelihoods). This survey will identify the people who will be displaced by the project, all the relevant characteristics of those people, and the magnitude of expected physical and economic displacement.

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

The borrower or client shall, at a minimum, conform to host-government procedures where these exist. In addition, or in the absence of host government procedures, the borrower or client shall establish a cut-off date/(s) for eligibility that is acceptable to the Bank. Information regarding the cut-off date/(s) shall be well-documented and widely disseminated throughout the project area of influence in a culturally appropriate and accessible manner, prior to taking any action on clearing land or restricting local community access to land.

A culturally appropriate and accessible grievance and redress mechanism, through informally constituted local committees with representatives from key stakeholder groups, shall be established as early as possible in the resettlement process. In particular, vulnerable groups, including Indigenous Peoples, must be represented on the local committees. This grievance mechanism shall be monitored by an independent third party and shall aim to resolve any disputes arising from the resettlement process and compensation procedures in an impartial and timely manner. The grievance redress mechanism shall not impede access to judicial or administrative remedies but shall inform affected people about the Bank's inspection mechanism.

The Bank and borrowers or clients shall be cooperating in undertaking the design and establishment of the grievance and redress mechanism to ensure that it is legitimate, accessible, predictable, equitable and transparent. Also enforcing that local communities are consulted and associated to the decision, and understand the different forms and levels of the accountability framework under which the Bank intervenes. The Bank shall ensure that adequate monitoring and evaluation of the grievance and redress mechanism are incorporated as essential elements.

Resettlement Action Plan

The borrower or client shall prepare a Full Resettlement Action Plan (FRAP) for any project that involves a “significant number” of people or has adverse impacts on vulnerable groups, including Indigenous Peoples. “Significant number” is defined in the involuntary resettlement policy as 200

or more persons who will experience resettlement effects. In addition to this numerical guidance, project planners and the Bank shall also determine the “significance” of a project by evaluating the severity of adverse impacts on vulnerable groups, particularly on women and indigenous peoples²¹. Any project that has adverse impacts on vulnerable groups shall be considered significant, requiring a FRAP.

Annex A²² of the involuntary resettlement policy provides an outline of a typical FRAP. In summary, the FRAP shall:

- Provide a description of the project components or activities that would give rise to resettlement, the zone of impact of such activities, and demonstrate that alternative project designs were considered to avoid or minimize resettlement.
- Identify the range of potential project-related risks and impacts that the affected people may be subjected to, including landlessness, joblessness, homelessness, lack of access to education, marginalization, food insecurity, increased morbidity and mortality, loss of access to common property resources, impoverishment and community disarticulation.²³
- Address institutional responsibilities, evaluate the capacity and commitment of the executing agency to carry out the FRAP and outline the involvement of local people and NGOs in planning, implementing and monitoring the resettlement.
- Demonstrate that project-related and resettlement-related information was disseminated to the affected population in a prompt and socially and culturally appropriate manner.
- Describe the consultation and participation activities undertaken with both displaced and host communities, and present a summary of the views expressed and how these views were taken into account in the preparation of the FRAP.
- Demonstrate that a range of alternative-compensation options, resettlement-assistance options and livelihood-improvement options were provided to the affected people.
- Outline the choices made by the affected people, including those related to forms of compensation, resettlement assistance and livelihood improvement, to relocating as individual families or as part of pre-existing communities and to retaining access to cultural property.
- Demonstrate that adequate attention was paid to the concerns of vulnerable groups – including Indigenous Peoples – and describe the specific measures taken to address the needs of vulnerable groups, and to ensure that they receive adequate compensation, resettlement assistance and livelihood-improvement provisions.
- Describe how compromises were arrived at both among the persons affected and between project planners and those persons.
- Describe the procedures for redress of affected populations’ and host-community grievances and the legal framework for land acquisition, compensation, resettlement assistance and livelihood improvement.
- Provide, in the form of a clear social baseline, the results of the comprehensive socio-economic survey discussed above, a clear definition of the people affected, the criteria for

²¹ This threshold is intended to be a primary divide in magnitude of resettlement but should not be seen as a cast-in-stone criterion since significance of disturbance for both physical and economic displacement may be evaluated using expert judgement and complementary information when available.

²² The Bank to advise on if this Annex can be revised to align it with the requirements of OS 2.

²³ Community disarticulation refers to the breakdown of social structures, interpersonal ties and informal networks of mutual confidence, interaction and co-operation, resulting in an overall decline in human capital and community traumatization.

determining their eligibility for compensation, resettlement assistance and livelihood improvement and the relevant cut-off date/(s). People who encroach on the project area of influence after the cut-off date/(s) are not entitled to any form of resettlement assistance.

- Describe the standardized and transparent methodology used in valuing losses to determine their full replacement cost. Full replacement cost is defined as compensation based on the present value of replacement of the lost asset, resource or income without taking into account depreciation.
- Describe the proposed types and levels of compensation under local laws, any inconsistencies between the borrower or client's legal framework and the Bank's requirements, and the mechanisms adopted to bridge such gaps in order to achieve full replacement cost for lost assets – including both economically productive assets and assets with social or cultural value. The dispute settlement procedures should be sufficiently agile to resolve arguments over valuation quickly.
- Describe the packages of compensation and resettlement assistance measures to be provided to assist each category of eligible person affected. The payment procedure should be simple, and payment should be settled before expropriating the land.
- Provide the institutional and technical arrangements for identifying and preparing relocation sites, the procedures for physical relocation, any measures to prevent the influx of ineligible people at the selected sites, and the legal arrangements for regularizing tenure and transferring titles to the affected persons.
- Propose plans to provide or finance housing, infrastructure and social services, and plans to ensure comparable services to affected people and host populations and any necessary site development.
- Outline a comprehensive livelihood restoration and improvement program that will be implemented with the aim of improving livelihoods beyond pre-project levels.
- Provide an assessment of the environmental impacts of the proposed resettlement and measures to mitigate and manage these impacts.
- Provide scheduling information on implementation, including target dates for achievement of expected benefits to the affected population and hosts, and terminating the various forms of assistance.
- Provide a detailed budget breakdown of cost estimates of all resettlement activities, including allowances for inflation and other contingencies, a timetable for expenditures, sources of funds and arrangements for the timely flow of funds.
- Propose the arrangements for ensuring the FRAP's flexibility in terms of managing and accommodating change, as well as reporting, monitoring and evaluating – including performance-monitoring indicators to measure inputs, outputs and outcomes for resettlement activities. How the affected people will be incorporated into, and participate in, this reporting, monitoring and evaluating process should also be outlined.

For any project in which the number of people to be displaced is “small” (fewer than 200 people) and land acquisition and potential displacement and disruption of livelihoods are deemed less significant, an Abbreviated Resettlement Action Plan (ARAP) shall be prepared and agreed with the borrower or client.

Annex B of the involuntary resettlement policy describes an ARAP. The scope and level of detail required for an ARAP is less than that required for a FRAP, but shall at a minimum include:

- The range of potential risks and impacts to which the affected persons may be subjected;
- The results of the socio-economic survey in the form of a clear social baseline and the relevant cut-off date/(s);
- A description of consultation activities with the affected and host populations;
- A description of compensation options, resettlement-assistance and livelihood-improvement options to be provided;
- A description of the procedures for redress of grievances;
- The institutional responsibilities for implementation, including involvement of NGOs in monitoring the RAP; and
- The schedule, budget and sources of funds, which should be agreed upon with the executing agency.

Project planners shall work transparently to ensure that the affected people give their demonstrable acceptance to the FRAP/ARAP and that any necessary displacement is done in the context of negotiated settlements with those people.

The FRAP/ARAP shall be submitted as a formal document to the relevant national, local and/or municipal agencies and to the Bank, and should include an executive summary detailing the size of the affected populations, proposed resettlement measures and activities, implementation timetable, outstanding issues, as well as dedicated financial resources for the implementation of activities.

The FRAP shall be finalized as a supplement document to the Environmental and Social Impact Assessment report, while the ARAP shall be finalized as a supplement document to the Environmental and Social Management Plan.

The FRAP/ARAP shall be posted in the Bank's public information center and the Bank's website for public review and comments, in accordance with the Bank's Environmental and Social Assessment Procedures. The FRAP shall be released to the public at least 120 days prior to board presentation. The ARAP shall be released to the public at least 30 days prior to board presentation.

Compensation procedures

Units entitled to compensation (e.g. family, household, individual) shall be decided through consultation with those to be displaced. The choice made will guide the methodological preparation and implementation of the socio-economic survey.

The persons affected shall be compensated for their losses at full replacement cost prior to their actual move, before land and related assets are taken, or before project activities begin, whichever occurs first. The borrower or client shall give preference to land-based resettlement strategies and as a matter of priority offer land-to-land compensation and/or compensation-in-kind in lieu of cash compensation where feasible, and further provide clear explanation to affected people that cash compensation is very often conducive to the risk of rapid impoverishment.

The total cost of the project as a result shall include the full cost of all resettlement activities, factoring in the loss of livelihood and earning potential among the affected population. This attempt to calculate the "total economic cost" shall also factor the social, health, environmental

and psychological impacts of the project and the displacement, which may disrupt productivity and social cohesion. The resettlement costs shall be treated against the economic benefits of the project, and any net benefits to the affected population shall be added to the benefit stream of the project.

Displaced people shall be provided with targeted resettlement assistance²⁴ with the aim of ensuring that their standards of living, income-earning capacity, production levels and overall means of livelihood are improved beyond pre-project levels. A comprehensive livelihood improvement program shall be formulated and implemented to achieve this end. Strategies to improve livelihoods may involve providing access to training and should employ appropriate technologies, where applicable.

A range of different compensation-package, resettlement-assistance, and livelihood-improvement options shall be offered to the affected populations, including options for administering these options' measures at different levels (e.g. family, household and individual) and the affected persons themselves shall be given the opportunity to decide upon their preferences. This option-based resettlement planning is aligned with a development approach that aims to ensure that the affected populations are able to reconstruct their production foundations and become self-sustaining producers and wage-earners.

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

The borrower or client shall make every effort to provide opportunities to the affected people to derive appropriate development benefits from the project, which involves their resettlement. The borrower or client shall specifically engage the affected people as project beneficiaries and discuss with them how project-related development benefits might be obtained and spread most effectively among them. Project-related benefits may include access to electricity, roads, sources of irrigation or domestic water supply, etc.

Where the affected people do not have land titles, cadastral surveys shall be carried out to establish the basis for compensation, and procedures may have to be established to regularize and recognize claims to land, including claims that derive from customary law and traditional usage. It is particularly important that the country's national laws and legislation as well as local definitions of land tenure, rights to common property resources, and inheritance practices are recognized and clearly explained to people who are entitled to compensation as well as to those groups that may not be eligible for land-based compensation.

²⁴ Targeted resettlement assistance is defined as assistance that is specifically orientated towards, and which responds to the particular needs of, the individuals or groups that will receive it.

The criteria for site selection shall be explicit and shall be discussed in detail with the affected people. It may be important for rural resettlement programs to ensure that a whole community or village is resettled together.

The criteria for assessing the value of land, housing and other property shall be standardized and transparent and the benefits of the resettlement shall be clearly established. For urban resettlements, provisions may include financial compensation, housing and service provision – such as schools, healthcare facilities, transport, credit facilities, training, capacity-building and other job opportunities. For rural resettlements, provisions may also include land-for-land, access to agricultural equipment, and other agricultural inputs. In the case of rural areas, the resettlement program shall prioritize land-for-land compensation options for the affected persons whose livelihoods are based on land.

The procedures for allocation of land plots shall be agreed with the affected people and shall be transparent. The project is required to establish quality control and monitoring systems to guarantee that affected people receive the promised compensation packages before clearing of the right-of-way or starting project implementation on the ground.

Whenever replacement land is offered, displaced people shall be provided with land for which a combination of productive potential, locational advantages and other factors is equivalent to, or better than, the land taken. The land provided should also provide access to safe drinking water and irrigation facilities.

In cases where land is not the preferred option of the displaced people whose livelihoods are land-based, non land-based options shall be considered. These options shall be built around creating employment opportunity or self-employment.

All housing for physically displaced people shall be provided with security of tenure.²⁵

If possible, in-kind replacements shall be applied for compensation of loss of common property resources, such as rivers, lakes or forest resources. Particular attention shall be given not only to replacing the common property itself, but also to the particular services and community inter-linkages that it provided.

Where a project involves the loss of public facilities, infrastructure, and common property resources, the borrower or client shall undertake consultation with the affected community to identify and mutually agree upon suitable alternatives that are equivalent to, or an improvement on, those being lost.

The affected populations and host communities shall be provided with support prior to and during relocation, as well as after relocation, for a transition period that covers a reasonable period of time necessary for them to re-establish themselves and improve their standards of living, income earning capacity, production levels and overall means of livelihood.

²⁵ Security of tenure means that resettled people or communities are resettled to a site that they can legally occupy and from which they are protected from the risk of eviction.

Compensation payment procedures shall be simple and shall be independently monitored. Accurate records shall be kept of all transactions.

Considerable attention shall be given avoiding internal community conflict throughout the resettlement process. This shall be a particular focus in relation to decisions around, and the deliverance of, compensation packages, resettlement assistance and livelihood improvement measures to the affected people. The notion of benefit sharing and improvement of the economic status of communities shall be promoted by the project when designing common property compensation items.

In the case of cash payments, the affected people should be provided with counseling to ensure that compensation is used wisely.

In addition to material provisions, cultural and psychological issues shall be addressed. Attempts shall be made to avoid the destruction of cultural, religious and archaeological sites – including natural sites and habitats valued for these reasons – or provide alternative sites that are acceptable to the affected population. When relocation touches religious sites, a comprehensive plan shall be established in cooperation with religious and traditional community leaders to ensure that an alternative location is found and that all rituals can be conducted to ensure that the new site represents the same religious sacredness as the previous location. Social structures and community networks among the affected persons should be maintained, while support and advice shall be made available to ensure that the affected persons cope with, and benefit from, the resettlement process.

Host communities

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

Any payment due to the hosts for land or other assets provided to the affected population shall be promptly rendered.

Conflicts between hosts and the affected population may develop as increased demands are placed on land, water, forests, services, etc., or if those affected by the project are provided with services and housing superior to that of the hosts. These impacts shall be carefully considered when assessing the feasibility and costs of any proposed project involving displacement, and adequate resources shall be reflected in the budget for mitigating these additional environmental and social impacts. The dispute-settlement procedures should be sufficiently agile to quickly resolve conflicts between hosts and the affected population.

Vulnerable groups, including women and indigenous peoples

Special attention shall be given to the needs and concerns of vulnerable groups, including Indigenous Peoples. Appropriate support shall be provided to help these vulnerable groups cope

with the resettlement and to improve their status, in line with national laws. In particular, it shall be ensured that adverse effects are not disproportionately shouldered by such groups and that they are not disadvantaged in relation to sharing the benefits and opportunities that the project should bring.

The Guiding Principles and the UN Guidelines on forced evictions and displacement provide a broad scope and a high quality of concerns to be considered with regards to protecting the physical, social and economic integrity of vulnerable groups. In particular:

- Principle 9 provides that “ States are under obligation to protect against the displacement of indigenous peoples, minorities, peasants, pastoralists and other groups with a special dependency on and attachment to their lands”;
- Principle 19 points to the need to provide medical care to the “fullest extent possible to internally displaced persons and to the prevention of contagious and infectious diseases, including AIDS, among displaced persons. It also requires particular attention to be paid to the health needs of women, including access to female health care providers and services, such as reproductive health care, as well as appropriate counseling for sexual and other abuses.

With respect to gender vulnerability in particular:

- Women’s groups and men’s groups shall be involved in resettlement planning, management and operations, and in job-creation and income-generation.
- The provision of health-care services, particularly for pregnant women and infants, may be important during and after relocation, to prevent increases in morbidity and mortality due to malnutrition, the psychological stress of being uprooted, and the increased risk of disease.
- A specific protocol shall be inserted into the RAP specifying safeguards for the quality and quantity of land to be allocated for women, especially widows and divorcees, in order to ensure their means to achieve income generation and food security.
- Land titles at the resettlement site shall be in the name of both spouses or of single heads of household, regardless of gender, provided that this does not contradict with the borrower or client’s own laws and legislation.
- Husbands and wives, unmarried women and elderly sons and daughters shall be explicitly included as eligible for compensation including compensation for loss of land, shelter, livelihoods and for any other privately owned assets.

Implementation, monitoring and evaluation

The borrower or client shall be responsible for the implementation, monitoring and evaluation of the activities set out in the RAP, typically quarterly, and shall keep the Bank informed of progress. The resettlement component of an operation shall be fully and specifically covered in the reports on the progress of the overall project, and included in the logical framework of the operation. The loan agreement, in addition to the RAP, shall specify the monitoring and evaluation requirements and their timing.

An independent third party shall monitor large-scale or complicated RAP implementation, with regular feedback from the affected persons. These persons shall also be given the opportunity to

participate in such implementation monitoring. The Bank and borrower shall agree on either contracting an independent third party to perform the evaluation on their behalf or to use a third party to implement the resettlement activities with an obligation to report back to them at equal distance.

Quarterly reviews of large-scale resettlement operations are recommended and in-depth reviews of mid-term progress, consistent with the overall project scheduling, are critical. Such reviews shall be planned from the beginning to allow the executing agencies and the Bank to make the necessary adjustments in project implementation.

The effectiveness of mitigation measures recommended and implemented shall be evaluated, and the lessons learned used to formulate similar types of projects in the future. The evaluation shall compare the actual situation with the planned or predicted situation, including in particular, the number of people affected, and review the assumptions, the resettlement-induced and associated risks, and the uncertainties encountered.

Monitoring activities shall include a review of the grievance and redress mechanism, the impact of the RAP, and its physical progress.

Monitoring shall also evaluate the borrower or client's commitment to the RAP and the availability of sufficient financial resources, as identified in the budget, for accomplishment of the RAP.

An independent ex-post evaluation shall be carried out by the borrower and the Bank.

Upon completion of the project, the borrower or client shall undertake an assessment of the success of the RAP, known as a Project Completion Report (PCR). This shall be followed by the Bank's own PCR. If either of these assessments reveals that any key objectives of the RAP were not achieved, follow-up measures shall be developed to remedy the situation.

3. OS 3. Operational Safeguard on Biodiversity, Renewable Resources and Ecosystem Services

Objectives

This Operational Safeguard outlines the requirements for borrowers or clients to identify and implement opportunities to conserve and sustainably use biodiversity²⁶ and natural habitats, and observe, implement, and respond to requirements for the conservation and sustainable management of priority ecosystem services²⁷.

This OS reflects the objectives of the Convention on Biological Diversity to preserve biological diversity and promote the sustainable management and use of natural resources. This OS also aligns with the Ramsar Convention on Wetlands, the Convention on the Conservation of Migratory Species of Wild Animals, the Convention on International Trade in Endangered Species of Wild Flora and Fauna, the World Heritage Convention²⁸, the UN Convention to Combat Desertification and the Millennium Ecosystem Assessment.

The specific objectives are to:

- Conserve biological diversity and ecosystem integrity by avoiding or, if not possible, reducing and minimizing potentially harmful impacts on biodiversity;
- Endeavor to reinstate or restore biodiversity including, where required, the implementation of biodiversity offsets to achieve “not net loss but net gain” of biodiversity in cases where some impacts are unavoidable;
- Protect natural, modified and critical habitats; and
- Sustain the availability and productivity of priority ecosystem services to maintain benefits to the affected communities and to sustain project performance.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where

²⁶ Biodiversity is “the variability among living organisms from all sources including, *inter alia*, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems”. (Source: *The Convention on Biological Diversity*).

²⁷ Ecosystem services are the benefits that people derive from ecosystems. Ecosystem services are organized into four types of services: (i) provisioning services, which are the products people obtain from ecosystems (food, freshwater, wood and fiber, fuel); (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes (climate regulation, flood regulation, disease regulation, water purification); (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems (aesthetic, spiritual, educational, recreational); and (iv) supporting services, which are the natural processes that maintain the other services (nutrient cycling, soil formation, primary production).

²⁸ For the purposes of this Convention, the following are considered as “natural heritage”: natural features consisting of physical and biological formations or groups of such formations, which are of outstanding universal value from the aesthetic or scientific point of view; geological and physiographical formations and precisely delineated areas which constitute the habitat of threatened species of animals and plants of outstanding universal value from the point of view of science or conservation; natural sites or precisely delineated natural areas of outstanding universal value from the point of view of science, conservation or natural beauty.

specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process.

The OS shall specifically apply to Bank operations that will:

- Be located in any type of habitat;²⁹
- Be located in areas providing ecosystem services upon which potentially affected stakeholders are dependent for survival, sustenance, livelihood or primary income, or which are used for sustaining the project; and
- Extract renewable natural resources as a main purpose (e.g. plantation forestry, commercial harvesting, agriculture, livestock, fisheries and aquaculture); and
- The use of and commercialisation of indigenous knowledge system

OS requirements

Environmental and Social Assessment

As part of the environmental and social assessment, the borrower or client shall identify and assess the potential opportunities, risks and impacts to biological diversity and to ecosystem services. Direct, indirect and pre-mitigation impacts shall be considered in the assessment.

The borrower or client shall apply the mitigation hierarchy to avoid potentially adverse impacts; if avoidance is not possible, to reduce and minimize potential adverse impacts; if reduction or minimization is not sufficient, to mitigate and/or restore; and as a last resort to compensate and offset.

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

The borrower or client shall obtain the advice of and use recognized experts for assessment of biodiversity and ecosystem services values – for example, cultural, aesthetic, spiritual, educational, and recreational values – identified by potentially affected community members and other stakeholders, including indigenous peoples.

Borrowers or client should ensure that access to and commercialization of indigenous knowledge must be based on equitable benefits.

Preservation of habitats and biodiversity

For the purpose of the implementation of this OS, the following habitat categories will be considered:

²⁹ Habitat is defined as a terrestrial, freshwater, or marine geographical unit or an airway passage that supports complexities of living organisms and their interactions with the non-living environment. (Source: *IFC PS 6 (Version 2010)*). For the purpose of this OS habitats are divided in natural, modified and critical (see definitions in requirement 4 of this OS).

Natural habitats: habitats in which the species composition, richness and abundance have not been modified by anthropogenic activities and native species have been preserved. Natural habitats are characterized by having original populations of native flora and fauna and are habitats that have not undergone transformation by human activities.

Modified habitats: habitats that have been significantly altered by anthropogenic activities and the original species composition, richness and abundance reduced, with evidence of colonization by non-native species. Modified habitats include areas that have a large proportion of non-native flora and fauna or habitats that have been transformed by human activities, modifying the area's primary ecological functions.

Critical habitats: habitats that have a high biodiversity value; they could be either modified or natural habitats. Critical habitats include:

- Habitats of significant importance to critically endangered and footprint impacted species;³⁰
- Habitats of significant importance to endemic and/or restricted-range species;
- Habitats of significant importance to globally significant concentrations of migratory species and/or congregatory species;³¹
- Regionally significant and/or highly threatened or unique ecosystems;
- Areas that are associated with key evolutionary processes;
- Areas that are important to species that are vital to ecosystems, such as keystone species³²; and
- Areas that supply ecological networks.

The determination as to whether the habitat is modified, natural, or critical must be made in consultation with recognized habitat and biodiversity institutions and experts, in order to ensure objectivity and accuracy, and shall reflect designations by national and local authorities.

For projects that are being developed in natural habitats, critical habitats or legally protected areas, the borrower or client shall incorporate the best available science, and engage recognized biodiversity experts in conducting the impact assessment and in developing and implementing mitigation and management strategies.

If the project will take place in or near a natural or critical habitat, or in a legally protected or internationally recognized area, the borrower or client shall consider the potential risks and impacts that may occur at the landscape or seascape level in the assessment.³³

³⁰ As per the IUCN classification.

³¹ Congregatory species are those that gather in globally significant numbers or concentrations at a particular site at a particular time of their lifecycle for feeding, resting, roosting or breeding (IFC 2008, Langhammer et al. 2007).

³² A keystone species is a species that has a disproportionately large effect on its environment relative to its abundance. Paine, R.T. (1995), "A Conversation on Refining the Concept of Keystone Species", *Conservation Biology* 9 (4): 962–964.

³³ The concept landscape/seascape could correspond to either an eco region, biome or any ecologically significant unit of space on a regional level, or an administrative or territorial boundary or a particular zoned area within international waters.

The borrower or client shall try to minimize any further degradation or habitat conversion in modified habitats. If the borrower or its consultants identify areas of biodiversity and conservation value within the project's area of influence, the borrower or client should take steps to promote conservation activities in such areas with appropriate indicators and monitoring.

The borrower or client shall ensure that the project will not cause significant modification³⁴ of natural habitats. This applies to all projects except when:

- there are no technically and cost-effective viable alternatives for the project to be implemented in a modified habitat;
- the biodiversity mitigation hierarchy has been properly implemented and appropriate mitigation measures have been designed; and
- the opinions and concerns of affected communities, as identified through the consultation process, have been addressed in the design of the mitigation measures.

If projects are to be developed in natural habitats, mitigation measures shall be designed and implemented to achieve either net benefit or no net loss of biodiversity, if feasible. In certain cases, this can be done by developing a biodiversity-offsets program³⁵. The borrower shall apply the mitigation hierarchy to avoid potential adverse impacts; if avoidance is not possible, to reduce and minimize potential adverse impacts; if minimization is not sufficient, to mitigate and/or restore; and as a last resort use biodiversity offsets to achieve a net gain or, at a minimum, no net loss of biodiversity in accordance with the biodiversity-offset principles established by the Business and Biodiversity Offsets Program³⁶. Set-asides may be implemented as part of the offsetting process³⁷. Other measures to achieve either net benefit or no net loss of biodiversity include: ecological restoration of habitats, investing in a relevant and credible offset banking scheme and measures to reduce habitat fragmentation.

Borrowers or clients may be permitted to implement a project in a critical habitat if they are able to demonstrate, using appropriate measurement and monitoring methods, that:

³⁴ Significant conversion or degradation is the elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use, or a modification that substantially minimizes the habitat's ability to maintain viable populations of its native species. (Source: IFC PS 6).

³⁵ Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant adverse biodiversity impacts arising from project development and persisting after the mitigation hierarchy has been implemented. Generally, these are not within the project site. (Source IFC PS 6 (2010 version)).

³⁶ Biodiversity-offset principles involve: no net loss, adherence to the mitigation hierarchy, landscape context, stakeholder participation equity, long-term success and transparency. The Business and Biodiversity Offsets Program provides examples of biodiversity-offset actions, which may include:

- Improving conservation status of neglected zones;
- Replanting degraded areas with native species and removing alien ones;
- Safeguarding areas by implementing agreements with communities that define their role as custodians of biodiversity;
- Promoting alternative, sustainable, livelihoods within communities; and
- Establishing and protecting specific areas/zones, such as wildlife corridors, buffer zones, and migration routes. [See <http://bbop.forest-trends.org/index.php>].

³⁷ The 2011 revision to IFC PS 6 defines establishment of set-asides, which are: land areas within the project site, or areas over which the borrower has management control, that are excluded from development and are targeted for the implementation of conservation enhancement measures. Set-asides will likely contain biodiversity attributes and/or provide ecosystem services of significance at the local, national and/or regional level. Set-asides should consist of areas of high conservation value as identified using internationally recognized guidelines.

- the mitigation hierarchy has been implemented;
- the project-related activities will not have adverse effects on the criteria for which the critical habitat was designated;
- the borrower or client can demonstrate the project will not have any negative effects on critically endangered or endangered species;
- a biodiversity-monitoring program has been implemented.

Projects that are permitted to take place in critical habitats shall design biodiversity offsets to achieve a net positive gain in biodiversity and shall, at a minimum, do no harm to critical habitats. Project activities may also seek to enhance critical habitat, and protect and conserve biodiversity (that is, have a positive conservation outcome). Borrowers/clients may be permitted to undertake projects in or affecting critical habitat if the borrower/client can demonstrate that the following criteria are met, using internationally recognized measurement and monitoring methods:

- that the project takes place in or near the critical habitat;
- that the project and any associated facilities will not have an adverse impact (direct, indirect or cumulative) on the critical habitat;
- that the project and any associated facilities will not have any adverse impact (direct, indirect or cumulative) on Critically Endangered or Endangered Species;
- that the project will achieve the previous two points without offsets or a “net gain” analysis; and
- that a robust, appropriately designed and funded, long-term biodiversity monitoring and evaluation program is integrated into (i.e., provides feedback into) the client’s management program.

Any assessment and/or planning by the borrower/client with respect to critical habitat shall:

- be developed on a case-by-case basis in consultation with recognized experts such as the IUCN;
- use adequate baseline data to assess the current status of the critical habitat and Critically Endangered or Endangered Species, to be used in ongoing monitoring efforts to monitor project impacts;
- reflect conservation plans of relevant governments and regional and/or international bodies; (4) Use a landscape/seascape analysis; and
- if the primary objective of the proposed project is not conservation, explore possibilities for positive (not just neutral) conservation outcomes in the critical habitat, including through consultations with local stakeholders and conservation officials. In such a case, the borrower or client shall develop and implement a Biodiversity Action Plan (BAP)³⁸. The borrower or client shall also ensure sufficient organizational capability for the BAP design, and implementation throughout the project cycle.

³⁸ The Biodiversity Action Plan is a stand-alone plan that offers an additional level of assurance (as an annex) to the ESIA or the ESMP in areas that have been recognized as important to biodiversity.

When the habitat/biodiversity implications of a project would appear to be particularly severe, the alternative of not going ahead with the project shall be given serious consideration.

Legally protected areas and internationally recognized areas

Where projects are permitted by national regulations to encroach on legally protected areas or internationally recognized areas,³⁹ the borrower or client shall comply with national and local regulations for appropriate environmental management, and shall consult with relevant stakeholders during the preparation of management and mitigation measures. The borrower or client shall also determine if the area is critical, natural, or modified, and shall then implement the relevant requirements of this OS.

Invasive alien species

The borrower or client shall intentionally take precautions to avoid introducing any alien species (that is, species not currently established in the country or region of the project) unless carried out:

- a) In accordance with any existing applicable regulatory framework for such introduction⁴⁰; or/and
- b) The introduction is subject to a risk which may be part of the environmental assessment, to determine the potential for invasive behavior. Under no circumstances shall species known to be invasive be introduced into new environments. The borrower or client shall undertake assessment of the possibility of accidental or unintended introduction of invasive alien species, and identify measures to minimize the potential for release.

If invasive alien species already exist in the area, the borrower or client shall not undertake activities that may enhance their competitiveness in comparison with native/indigenous species or that will potentially promote the spread of alien species. The feasibility and cost-effectiveness of eradication measures for alien species should be assessed.

Genetically Modified Organisms (GMOs)

GMOs shall neither be released into the environment nor intentionally introduced unless national regulations allow this. Under such circumstances, an appropriate risk-assessment shall be carried out, including an analysis of the GMOs' competitive advantage over native species, and the potential for introducing 'foreign' genes into the gene pool by cross-contamination or unplanned genetic transfer.

Environmental flows

³⁹ The IUCN definition of a legally protected area is: "a clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values." Internationally recognized areas include: UNESCO Natural World Heritage Sites, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas, and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).

⁴⁰ Positions of AfDB regional member countries vary on GMOs and decision should be taken on a case by case basis in accordance to national regulations.

In the case of projects impacting on major water resources, the borrower or client shall avoid significantly altering flow regimes in ways that prevent water resources from fulfilling their functions for important ecosystems and their services to local communities. The borrower shall therefore assess and manage environmental flows in relation to the principles and requirements of biodiversity and ecosystem services.

In this context, environmental flows shall be understood to be “the provision of water within rivers and groundwater systems to maintain downstream ecosystems and their benefits, where the river or groundwater system is subject to competing water uses and flow regulation”⁴¹.

The borrowers or clients shall endeavor to ensure that flows are maintained so that they are optimally managed to allow for the multipurpose use of water, including water’s ecological functions, and the integrity of river systems and wetlands.

To achieve this objective, the borrowers or clients shall ensure that appropriate methodologies are employed within the Environmental and Social Assessment to address the issue of environmental flows according to best practice. The minimum baseline ecological flow requirements should be determined for any waterflow project. The water needs audit should be done prior to any water flows project.

Renewable natural resources

Projects whose main objective includes the extraction of renewable natural resources – such as forestry, agriculture, animal breeding and fisheries – shall manage these resources in a sustainable manner, with preference for internationally recognized systems of certification of sustainable management and use.

Plantation forestry and commercial harvesting

The borrower or client shall assess the type of habitat that will potentially be affected and follow the requirements of this OS (see requirements above, especially for palm oil, cocoa, coffee, tea and other commercial crop plantations which encroach on pristine and/or well preserved natural ecosystems).

Borrowers or clients shall implement industry-specific best international management practices and available technologies.

Agriculture and livestock

The borrower or client shall assess the type of habitat that will potentially be affected and follow the requirements of this OS (see requirements above).

The borrower or client shall follow agricultural and livestock best practices, and use methods that do not deplete the natural-resource base.

⁴¹ IUCN’s pre-release to Third World Water Forum, Kyoto.

Fisheries and aquaculture

The borrower or client shall assess the type of habitat that will potentially be affected and follow the requirements of this OS (see requirements above).

Borrowers or clients shall implement the principles and standards set out in the FAO Code of Conduct for Responsible Fisheries and comply with all relevant conservation and management measures. This is necessary in order to support sustainable fisheries and avoid significant adverse impact to the target species by catch, habitat, and associated species in accordance with relevant international laws and regulations. Where a borrower or client promotes the development of artisanal fisheries, the methods used shall be in accordance with all relevant national and international laws, be sustainable and not harmful to the ecosystem, avoid destructive or illegal fishing practices, and be culturally appropriate to the communities concerned.

Supply chains

If the borrower or client uses external suppliers of living resources, where the borrower or client does not have management control over their sourcing and the resources are key to the project's core functions, the borrower or client shall develop and implement a sustainable resources-procurement policy, procedures, and action plan to ensure that:

- Only resources of a legal and sustainable origin are purchased, making use of internationally recognized sustainability schemes where possible;
- The origin of the resources is monitored; and
- The resources do not originate from legally protected areas or internationally recognized high conservation value areas.

Management of ecosystem services

If during the environmental and social assessment it is determined that there may be impacts on important ecosystem services, an ecosystem services review shall be performed in order to identify the risks to priority ecosystem services.

The value of ecosystem services shall be determined in terms of their value for the welfare and livelihoods of affected communities, the benefits they provide to the sustainable operation of the project (e.g. water), and the benefits they provide at the landscape/seascape level or existence options values⁴². However, any decisions on assessing the value of ecosystem services, establishing priorities, and/or developing strategies to avoid/mitigate impacts should be made in consultation with governmental resource management/protection agencies and local community representatives to ensure that ecosystem services critical to existing conservation and/or development objectives are preserved. After the assessment of the value of ecosystem services, the borrower or client, in consultation with resource managers and local communities, will identify those ecosystem services that should be protected through the biodiversity mitigation

⁴² Value is attached to importance to communities' welfare and livelihoods, reliance of the project on some ecosystem services, their contribution to ecological equilibrium (of landscapes and seascapes) rather than on intrinsic economic value and contribution to national economy. This option derives from the Bank's mandate to fight poverty and promote sustainable development beyond economic growth. Therefore, prioritization of ecosystem services should be coherent with this option.

hierarchy as ‘priority ecosystem services’. The impacts assessment will take into account the same factors as are considered in the value assessment. For the priority ecosystem services, the impact and dependence of the project will be assessed in terms of change in communities’ well-being and project performance.

Adverse impacts on priority ecosystem services should be avoided. If these impacts are unavoidable, borrowers shall identify ways to reduce these impacts and implement restoration measures to maintain the value and functionality of those priority ecosystem services. These measures shall be included in the ESMP.

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4. OS 4. Operational Safeguard on Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency

Objectives

This OS outlines the main pollution⁴³ prevention and control requirements that borrowers or clients shall adhere to in order to achieve a high-quality environmental performance over the life of the project, and efficient and sustainable use of natural resources.

The specific objectives are to:

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

This OS draws from and aligns Bank operations with existing international conventions and standards relating to pollution, hazardous materials and waste, and related issues⁴⁴. It also requires compliance with internationally accepted environmental standards, particularly the World Bank Group Environmental Health and Safety (EHS) Guidelines⁴⁵.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank, except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process.

OS requirements

Pollution prevention and control, and resource efficiency

The borrower or client shall apply pollution prevention and control measures consistent with national legislation and standards, applicable international conventions, and internationally recognized standards and good practice – particularly the World Bank Group's EHS Guidelines⁴⁶.

⁴³ Pollutants: Hazardous or non-hazardous chemicals in the solid, liquid or gaseous phases, and is intended to include other forms, such as pests, pathogens, thermal discharge to water, GHG emissions, nuisance odors, noise, vibration, radiation, electromagnetic energy and the creation of potential visual impacts including light. (*Source: IFC PS 3*).

⁴⁴ These include the Convention on Long-range Transboundary Air Pollution, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, the London Convention for Ocean Disposal, the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer.

⁴⁵ The EHS Guidelines are technical reference documents with general and industry-specific examples of good international industry practice. The EHS Guidelines contain the performance levels and measures that are normally acceptable to World Bank Group and are generally considered to be achievable in new facilities at reasonable costs by existing technology. They have been adopted by most MDBs and by the Equator Banks.

⁴⁶ The intention is to give precedence to national/local legislations and regulations and to use international standards (World Bank EHS Guidelines) in specific conditions set in the next two paragraphs.

When national legislation and regulations differ from the standards and measures presented in the EHS Guidelines, borrowers or clients will normally be required to achieve whichever is more stringent.

However, if less-stringent levels or measures are appropriate in view of specific project circumstances, the borrower or client will provide full and detailed justification for any proposed alternatives through the environmental and social assessment process. This justification must demonstrate that the choice of any alternate performance levels is consistent with the overall requirements of this OS.

The borrower or client shall include resource-efficiency and pollution-prevention principles as part of the project policy, as consistent with the principles of cleaner production⁴⁷.

Across the different phases of the project's lifecycle – including planning and design, construction, commissioning, operations and decommissioning – the borrower shall assess and evaluate resource-efficiency and pollution-prevention techniques and implement them, considering their technical and financial feasibility and cost-effectiveness⁴⁸.

The borrower or client shall avoid or, where avoidance is not possible, control and reduce the generation of pollutants at their source.

The borrower or client shall prevent the discharge of pollutants into the air, surface and groundwater, land and soil. If total prevention is not feasible, the borrower or client shall take specific actions to reduce or minimize the effluents or volume of discharges. This applies to the release of pollutants during planned activities as well as unplanned events or emergencies that may result in local, regional, and transboundary impacts.

The borrower or client shall evaluate the potential impacts of pollutant discharges and resulting ambient concentrations to the environment considering potential receptors, and assess:

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

⁴⁷ Cleaner production refers to the concept of integrating pollution reduction into the production process and design of a product. This involves continuous application of an integrated preventive environmental strategy to processes, products, and services in order to increase overall efficiency and reduce risks to humans and the environment through the conservation of raw materials, water and energy and through the reduction or elimination of the use of toxic and hazardous raw materials. Cleaner production can also mean taking advantage of renewable energy sources. (Source: IFC EHS Guidelines (Guidance note No. 3) and UNEP).

⁴⁸ Technical feasibility: the proposed measures and actions can be implemented with commercially viable skills, equipment and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity and operational reliability. Financial feasibility: the ability to apply sufficient financial resources to install the measures and maintain them in operation in the long term. Cost-effectiveness: determined according to the capital and operational cost and also financial benefits of the measure considered over the life of the measure. (Source: IFC PS 3_).

- Potential cumulative impacts.

Waste management

The borrower or client shall avoid or, where avoidance is not possible, control and reduce the generation of hazardous and non-hazardous waste at source, in compliance with applicable international conventions. If waste cannot be recovered or reduced, the borrower or client shall adopt treatment measures and environmentally sound disposal practices.

The borrower or client shall, at the early stages of the project and in agreement with applicable international treaties and best practices, identify the potential hazardous waste to be generated throughout the project's lifecycle, in order to determine cost-effective alternatives for its environmentally sound disposal.

If significant production, use or generation of hazardous materials or waste cannot be avoided, a management plan shall be prepared in the framework of a lifecycle assessment (transport, handling, storage, recycling and disposal). Each management plan should incorporate management and reporting practices, including preventive and contingency measures, in consultation with potentially affected workers and communities. In particular, the borrower or client shall also look at opportunities for the recycling of waste and reuse of material by preparing a specific recycling and reutilization plan based among other criteria on the identification of recyclable material and an assessment of the potential for reinjection of waste in the process. If third parties are to be used for hazardous-waste management and disposal, the borrower or client shall evaluate their legitimacy and legality for conducting hazardous-waste management activities and obtain the chain of custody documentation.

Greenhouse gas (GHG) emissions

The borrower or client shall adopt measures to reduce GHG emissions produced by project sources, directly and indirectly, considering measures that are financially and technologically feasible as well as cost effective.

Early identification of GHG emission quantities will provide the borrower or client a basis to determine if significant amounts⁴⁹ of absolute emissions (in tons of CO₂ equivalent per annum) will be released. If this is the case, the borrower or client shall establish a baseline and subsequently monitor and report on a regular basis GHG emissions after the implementation of reduction measures.

The borrower or client shall evaluate options to offset GHG emissions considering carbon financing, the use of renewable energy resources, the reduction of fugitive emissions and the reduction of flaring, if applicable.

⁴⁹ A significant amount is considered to be 200,000 tons of CO₂ equivalent per annum (absolute emissions).

Hazardous materials management

At the early project stages, the borrower or client shall determine the potential hazardous materials to be used or generated throughout the lifecycle of the project and consider alternatives that use or generate less-hazardous chemicals.

All chemicals that are or will be banned by international treaties, including ozone-depleting substances, and environmentally persistent or potentially bioaccumulative pollutants, shall not be manufactured, traded, donated or used by the borrower or client.

Pesticide use and management

In the case of projects that involve the use of pesticides, the borrower or client shall assess the need for and, if appropriate, plan and implement an Integrated Pest Management (IPM) and/or an Integrated Vector Management (IVM) program for pest-management activities for the full lifecycle of the project. The IPM or IVM program should involve pest-control methods including cultural practices, biological control, genetic control and, as a last resort, chemical means.

If pesticides are used for pest-control management, the borrower or client shall only select low-toxicity pesticides that do not pose a threat to human health or the environment, and that will not affect natural pest enemies. The borrower or client shall manage and dispose pesticides in accordance with good international industry practice, such as the Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides.

The borrower or client shall not use, in connection with the project, manufacture or trade in any chemical – including ozone depleting substances or persistent organic pollutants – if that manufacture, trade or use is banned by an international treaty. No use of pesticides classified as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous) in particular shall be made by borrowers or clients of AfDB funded projects.

Emergency preparedness and response

The borrower or client shall determine if the project poses any operational risk of accident or emergency events, and shall assess the options for responding to such situations. If appropriate, the borrower or client shall develop an emergency response plan – proportionate to the risk – to respond to accidents or emergency events that may pose risks to human health and the environment.

Resource efficiency

Borrowers or clients shall evaluate and, if appropriate, implement financially feasible and cost-effective measures for improving efficiency in the project's consumption of resources such as energy, water, raw materials, and other resources.

5. OS 5. Operational Safeguard on Labor Conditions, Health and Safety

Objectives

Labor is one of the most important assets of a country in the pursuit of poverty reduction and economic growth. The respect of workers' rights is one of the keystones for developing a strong and productive workforce. This OS outlines the main requirements which have been guided by principles, conventions, and other instruments embodied in relevant ILO and UN international conventions that borrowers or clients shall follow to protect the rights of workers and provide for their basic needs.

The specific objectives are to:

- Protect workers' rights;
- Establish, maintain, and improve the employee–employer relationship;
- Promote compliance with national legal requirements and provide due diligence in cases where national laws are silent or inconsistent with the OS;
- Provide broad consistency with the relevant International Labor Organization (ILO) Conventions, ILO Core Labor Standards, and the UNICEF Convention on the Rights of the Child in cases where national laws do not provide equivalent protection;
- Protect the workforce from inequality, social exclusion, child labor, and forced labor; and
- Establish requirements to provide safe and healthy working conditions.

Scope of application

This OS shall apply to all Bank lending operations, both public and private sector, and project activities funded through other financial instruments managed by the Bank except where specifically exempted. Its applicability shall be established during the Environmental and Social Assessment process.

OS requirements

Working conditions and management of worker relationship

Human resources policies and procedures

In cases where the borrower or client intends to employ a workforce for the project, it should develop and implement a human resources policy and procedures appropriate to the nature and size of the project, and the scale of the workforce must be in alignment with this OS and with applicable national laws.

The borrower or client shall provide all employees with documents that contain information on their employment terms, conditions and rights, including national employment law. These documents should, as appropriate, include information on (but not limited to):

- working hours;
- wages and benefits;

- rest periods;
- overtime arrangements;
- leave entitlement for illness and maternity/paternity; and
- grievance mechanisms.

Working conditions and terms of employment

Where the borrower or client is party to a collective bargaining⁵⁰ agreement with a workers' organization, such agreement shall be respected. Where such agreements do not exist, or do not address working conditions and terms of employment, the borrower or client shall provide reasonable working conditions and terms of employment that, at a minimum, comply with national law.

Where migrant workers are employed, they shall be employed in accordance with local laws and on comparable terms and conditions as non-migrant workers when employed in similar work.

Where the borrower or other third parties directly or indirectly provide residential or temporary accommodation to workers, facilities shall provide all basic services⁵¹, including water and sanitation, in certain cases, medical care should also be provided. The services shall be provided in a manner consistent with the principles of non-discrimination and equal opportunity.

Worker's organizations

In countries where national law recognizes workers' rights to form and to join workers' organizations of their choice without interference and to bargain collectively, the borrower or client shall comply with national law.

Where national law substantially restricts or prohibits the formation of workers' organizations, such as trade unions, the borrower or client shall provide mechanisms for the workforce to express their joint requests and grievances and protect their rights regarding working conditions and terms of employment. The borrower shall not seek to exert influence or try to control these means.

Where national law is silent, or if it prohibits the workforce's right to create worker's organizations such as trade unions, the borrowers or clients shall not prevent the workforce from forming such organizations and from participating in workforce organization meetings.

⁵⁰ The term 'collective bargaining' extends to all negotiations that take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations, on the other, to

(a) determine working conditions and terms of employment; and/or

(b) regulate relations between employers and workers; and/or

(c) regulate relations between employers or their organizations and a workers' organization or workers' organizations.

(Source: *ILO Collective Bargaining Convention, 1981*).

⁵¹ "Basic services" may include: Security arrangements, appropriate work temperature, safe food, drinking water, access to safe exit in emergency conditions, segregated toilets, washing facilities and sleeping areas for women and men, and access to means of communication with areas outside the project boundary.

The borrower or client shall not discriminate or retaliate against workers who represent, participate, or seek to participate, in such organizations.

Non-discrimination and equal opportunity

The borrower or client shall not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements, including race, gender, nationality, ethnic, social and indigenous origin, religion or belief, disability, age, or sexual orientation⁵². The borrower or client shall base the employment relationship on the principle of equal opportunity and fair treatment, and shall not exclude or discriminate with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and disciplinary practices. The principles of non-discrimination apply to migrant workers.

The borrower or client shall take special measures to address harassment, intimidation, and/or exploitation, especially in relation to women. The borrower or client shall also prevent social exclusion or employment inequalities to women and workers with family responsibilities and, to the extent possible, allow employment not to conflict with family responsibilities.

When national laws are silent on non-discrimination in employment, the borrower or client shall meet the requirements of this OS. In circumstances where national law is inconsistent with this OS, the borrowers or clients should endeavor to carry out their operations consistent with this OS and/or ILO standards, without contravening applicable laws.

Retrenchment

Where the borrower or client proposes to implement collective dismissals, an analysis of alternatives to retrenchment shall be conducted. If the analysis does not identify alternatives to retrenchment, a retrenchment plan shall be developed and implemented to mitigate the adverse impacts of retrenchment on workers. The retrenchment plan should be based on the principle of non-discrimination and should reflect the borrower's consultation with workers, their organizations and, where appropriate, the government. The borrower or client shall comply with all legal and contractual requirements related to notification of public authorities, and provide information to and consult with workers and their organization. The borrower or client shall comply with national laws in terms of supplying severance payments and benefits.

Grievance and redress mechanisms

⁵² Discrimination is: (a) any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation; (b) such other distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation as may be determined by the Member concerned after consultation with representative employers' and workers' organizations, where such exist, and with other appropriate bodies.

Any distinction, exclusion or preference in respect of a particular job based on the inherent requirements thereof shall not be deemed to be discrimination. (Source: ILO).

The borrower or client shall ensure that a workforce grievance mechanism is available and made known to workers and third parties' workers (and their organizations, where they exist) to raise reasonable workplace concerns in a transparent manner without fear of retribution. The grievance mechanism should be permanently available and made known to workers at recruitment. The mechanism should not impede access to other judicial or administrative remedies that might be available under the law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.

Protecting the workforce

Child labor

The borrower or client shall not employ children in any manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education or to be harmful to the child's health or physical, mental, spiritual, moral, or social development⁵³. Where national laws have provisions for the employment of minors, the borrower or client shall follow those laws applicable to the project. Children will not be employed in hazardous work. All work will be subject to an appropriate risk assessment and regular monitoring of health, working conditions, and hours of work.

Forced labor

The borrower or client shall not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements.

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

Occupational health and safety

The borrower or client shall provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the borrower or client's work areas – including physical, chemical, biological, and radiological hazards.

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

- Identifying and minimizing, as far as reasonably practicable, the causes of potential safety and occupational hazards to workers – including exposure to inappropriate levels of noise, temperature, radiation or lighting;

⁵³ See the UNICEF Convention on the Rights of the Child, Article 32.

- Providing preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances;
- Providing appropriate equipment to minimize risks, and requiring and enforcing its use;
- Training workers and providing appropriate incentives for them to use and comply with health and safety procedures and protective equipment;
- Documenting and reporting on occupational accidents, diseases and incidents; and
- Developing emergency prevention, preparedness and response arrangements.

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

Workers procured by third parties

In respect of workers procured by third parties to work directly on or support the project, the borrower or client shall ascertain that the contractors, subcontractors, or intermediaries who procure these workers are reputable and legitimate enterprises and have appropriate management systems to operate in a manner consistent with the requirements of this OS.

The borrower or client shall establish policies and procedures for managing these contractors, subcontractors and intermediaries and monitor their performance in relation to the requirements of this OS. In addition, the borrower or client shall incorporate these requirements in contractual agreements with its contractors, subcontractors and intermediaries.

Supply chains

The adverse impacts associated with supply chains shall be considered where there is a high risk of child labor, forced labor, or significant occupational, health or safety issues. In the primary supply chains, the borrower or client shall identify those risks, consistent with OS requirements above. If these issues are identified, the borrower or client will take appropriate steps to remedy them.

Where there is a high risk of these issues, the borrower or client shall monitor the primary supply chain on an ongoing basis, and introduce procedures and mitigation measures to ensure that primary suppliers are taking steps to prevent or to correct imminent danger, death or serious harm to its workers.

Where remedy is not possible, due to the client's level of management control or influence over its primary suppliers, the borrower or client will shift the project's primary supply chain over time to suppliers that can demonstrate that they are complying with this requirement.