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Forests under threat from weakened World Bank social, environmental safeguards

We are witnessing a proposal for a massive rollback of environmental and social policies, including a severe weakening of protections for forests and forest peoples.

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Photo: Urgevald

This is what is at stake in the second draft of the World Bank's Environmental and Social Framework, commonly known as the "safeguards", to be released in July for public discussion. Whatever the outcome, it will affect how environmental and social risks will be managed for decades to come, including in initiatives such as REDD+.

The proposed new framework arises in a context where the scramble for investment and business opportunities in the World Bank's client countries is intensifying. In a changing global financial architecture with new multilateral banks like the BRICS Bank and the Asian Infrastructure Investment Bank (AIIB), the World Bank is competing against players that have readily available cash and are likely to focus less on standards.

In October 2012 the World Bank announced the re-writing of its safeguards. At the time, World Bank President Jim Kim expressed the Bank's commitment not to "dilute" the Bank's existing mandatory safeguard requirements.

A year ago the Bank released the first draft of the new framework. Contrary to President Kim's promise, it represents a massive weakening of existing protections. Following extensive comments, including from governments, a second draft has been prepared. It is scheduled to replace the World Bank's existing mandatory safeguard policies by the end of 2015.

The World Bank is right that its existing safeguards suffer from an implementation problem. A greater emphasis on actual implementation is long overdue. However, the draft environment and social framework proposes more focus on implementation at the expense of "frontloading." In other words, less investment in upfront mitigation of environmental and social risks, including the critical early public consultation and participation processes. This type of trade-off may help accelerate funding flows because projects would be approved before the full range of their environmental and social risks are even known. It would also be a gamble whose price would in all likelihood be paid by those least able to afford it.

NEW OPTIONAL STANDARDS

According to Bank officials, there are some positive changes in the second draft, such as strengthening labor protections and removal of a clause allowing recipient governments to opt out of special protections for indigenous peoples. But many of the serious problems identified in the first draft are said to remain.

The Bank proposes to replace mandatory requirements with largely optional standards. It includes too many requirements that only have to be met if they are "financially and technically feasible". It also abandons mandatory procedural requirements by deciding on a case-by-case basis according to "a manner and timeframe acceptable to the Bank."

Such open-ended procedures severely reduce the space for civil society input. The existing requirement of the public release of environmental assessments in a specified timeframe before the Bank's financing decision is abandoned.

The Bank's own due diligence will largely rely on client information, client self-reporting and self-monitoring. This inherent conflict-of-interest situation is not addressed even though borrower activities may themselves be the source of environmental and social risks.

In many cases, however, the new safeguards will be replaced by the borrower's own systems provided that their objectives would be materially consistent with ten Environmental and Social Standards. When the borrowers' systems have gaps, the Bank proposes providing capacity building at the same time as the proposed investment goes forward. The Bank's own track record shows that building capacity in parallel with supporting the physical project is hard, if not impossible, to achieve.

FORESTS AT RISK

Forests will be affected in myriad ways. The proposed framework abolishes the Bank's Operational Policy on Forests and subsumes forests under a much weaker biodiversity standard. The definition of "critical habitat" no longer covers areas that are critical to and protected by local communities. It also allows Bank support for projects in critical habitats as long as "no other viable alternatives in the region" exist and other conditions are met.

The overall weaker requirements will do little to help address the drivers of deforestation outside of the forest sector, such as the building of large-scale infrastructure projects.

Then there are ramifications for REDD+. The World Bank-managed Forest Carbon Partnership Facility (FCPF), whose principal donors are Norway and Germany, was set up to pioneer REDD+ programs designed to generate forest carbon credits. The FCPF's Charter requires compliance with World Bank operational policies, including environmental and social safeguards – those very safeguards that are now being weakened.

Beyond the FCPF, the Bank's safeguards have widely been considered as the benchmark against which multilateral institutions and bilateral agencies measure their own standards. The repercussions and ripple effects that a severely diluted World Bank policy framework would have can hardly be overestimated.

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