

**COMMENTS ON PROPOSED OPERATIONAL POLICY 9.00
PROGRAM FOR RESULTS LENDING**

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Thank you for the opportunity to comment on the World Bank's proposed policy on Program for Results (P4R) Lending, with its draft Operational Policy (OP) 9.00. We support the World Bank's efforts to ensure that its activities secure robust poverty alleviation results and enhance borrower government capacity to undertake these activities. However, sustainable poverty alleviation can be achieved only if you give due consideration to the environmental and social impacts of these development efforts, and if there is transparency and accountability. As such, we have a number of concerns about P4R as it has been proposed. Chief among those are that P4R lending has significant implications for local communities and the environment, yet as proposed it lacks appropriate environmental and social safeguards, as well as the transparency and accountability necessary to ensure that local communities are protected and informed.

Under Operational Policy 9.00 (OP 9.00), which would implement P4R, the Bank can lend to a Program whose activities will include funding to not only moderate risk projects (category C), but also to projects posing significant environmental and social risks (category B). Further, it appears that under OP 9.00 even projects that have potentially significant and irreversible adverse impacts (Category A) could be funded through the Program. However, according to the draft OP 9.00, numerous Bank policies, including safeguard policies to protect the environment, natural habitats, indigenous peoples, forests, and people from being involuntarily resettled, amongst others, will not apply to P4R. Thus, the potential implications of projects funded through P4R for communities and the environment are significant. The broad scope of project funding under OP 9.00 is concerning and is contrary to what Bank staff has indicated when they have claimed that OP 9.00 is needed for lending in "low-risk" situations. It is of further concern that it does not appear that the public will have access to information about the specific projects funded through the program.

For the past twenty years, civil society has worked with the Bank to develop environmental and social standards to ensure that the Bank-funded development projects do not significantly harm the environment or the communities in the affected area. The World Bank has served as a leader in the public and private sector in setting global standards for development financing, and should continue to be a leader in pioneering safeguards, transparency, and accountability standards. Currently, we are preparing to engage with the Bank again in the upcoming revisions of these safeguard standards. After years of work to advance standards to protect the environment and local communities, however, the Bank now seems poised to shift a significant amount of lending to a program that abandons these standards. In its current state, draft OP 9.00 will undermine decades of the Bank's work to provide development finance in the way to best serve countries and communities.

The lack of transparency about program activities is also concerning because it appears as though the public will not have access to information about specific projects that they would have access to if the project was funded by the Bank not through P4R. This lack of transparency, along with the lack of clear environmental and social safeguards, will contribute to a decrease in accountability.

Thus far, the Bank has yet to provide detailed descriptions, with supporting evidence, of why the safeguards could not apply to this new program lending. So, while we understand the Bank's desire to develop new lending instruments to secure poverty alleviation, the Bank needs to ensure that these lending instruments do not promote program lending to projects that pose significant risks to the environment and communities, Category A and B projects, especially without the necessary environmental and social safeguards in place to prevent harm.

The comments below discuss our concerns about the Program-for-Results financing laid out in OP 9.00, and proposals for addressing the problems in the current draft operational policy so as to not undermine the Bank's current policies in place to protect the environment and local communities.

Specific Issues Raised by Proposed Operational Policy 9.00 (OP 9.00)

Environmental and Social Safeguards

OP 9.00 allows for funding of "investment lending" projects, while not requiring use of existing investment lending standards. P4R has been framed as a new way of lending that will require a new approach to managing risks so as to best assist the borrower countries and to meet the goal of poverty alleviation. The Bank has stated that it needs to have a more flexible lending instrument to improve the impact of development programs, and that environmental and social safeguards cannot be applied in this new program lending. However, the P4R approach will allow the Bank to fund the same activities it funds through investment and development policy lending, but to do so without considering or applying the existing environmental and social standards. There is no reason that having a new, more flexible lending approach requires flexible or reduced safeguards.

P4R lending is intended for low-risk development projects, however, the current draft OP 9.00 does not exclude high risk projects. And while OP 9.00 does not specifically refer to project funding, it is implied that projects posing significant environmental and social risks (Category B) could be included in P4R lending. Moreover, the draft OP 9.00 indicates that "activities that pose a risk of potentially significant and irreversible adverse impacts on the environment and/or affected people [category A] ... are normally not eligible for Program financing, and are excluded from the Program." But then it indicates that "such activities may be included in the Program" if they are deemed to be important to the Program, amongst other things¹. What is important to the program is not defined. Thus, it is possible that P4R lending will be used for Category A and Category B projects without requiring the environmental and social safeguards normally associated with such projects. In fact, the draft OP 9.00 states that the environmental and social safeguards do not apply.

In Draft OP/BP 9.00, the Bank claims that it will conduct an environmental and social systems assessment of the program, however it does not provide reference to any explicit standards by which to conduct this assessment. This program assessment means that projects that have potentially significant environmental and social risks will not have to comply with the environmental and social safeguards that the Bank has had in place for 20 years. Doing the assessment of the program will mean that risks related to specific activities may not be obvious and are more likely to be overlooked when approving program funding.

¹ Program for Results Policy Paper, "Annex C. Draft of OP, BP, and Anticorruption Guidelines," O.P. 9.00, para. 9.

Additionally, under the proposed P4R lending, this environmental and social assessment only covers the program's ability to manage environmental and social risks. The policy needs to include clear specifics of how the program's risk management abilities will be assessed, including what steps the program or borrower government needs to do to address potential risks. Thus, the Bank needs to provide greater direction on how risks will be assessed, how communities should be involved, and how countries should respond to risks. Similarly, the policy needs to indicate what role environmental and social risks will play in the "integrated risk assessment" system required as part of the program approval.

The proposed policy abandons the environmental and social safeguards that the Bank has developed over the last twenty years and it does so without providing an appropriate alternative plan for dealing with potential environmental and social risks.

Transparency

Transparency in the World Bank's activities is crucial to guarantee community participation in development projects so that the best outcomes are achieved. As proposed, draft OP 9.00 decreases transparency and leaves communities and the public uninformed about how funds are being used and how risks are being managed.

The World Bank's Access to Information Policy should apply evenly to all World Bank operations, including P4R, at both the program and project level. Under OP 9.00, "the Bank discloses Program-related information in accordance with the Bank's Access to Information Policy." The Bank's Access to Information Policy states that the Bank will not provide access to financial information related to individual transactions under loans and trust funds. Thus, given how P4R is described in OP 9.00, we are concerned that the only information that will be disclosed to the public is Program-level information; information about specific projects within the Program will not be available. OP 9.00 should clearly require the Bank or the Program to provide the public with information about how the Program is using the funds, including information about specific projects.

Although BP 9.00 does require the Bank's task team to consult with "Program stakeholders," this requirement needs to be defined further and with more clarity, particularly with respect to the findings of the environmental and social system assessment. Moreover, information for consultation with stakeholders must include information about specific activities or projects financed under the program.

As currently described, P4R undermines the intent of the Access to Information Policy. OP 9.00 should be revised to give clarity on the transparency and public consultation required under P4R lending, and it should include disclosure of information at the project level, so that affected people have access to information and borrowers know the standards they must meet.

Clarity and Accountability

The proposed draft OP 9.00 reduces clarity for countries and communities and reduces accountability. The lack of clarity regarding standards that will apply to the activities funded through the programs that receive P4R funding will create uncertainty for the Bank, borrowers, community, and public. Without having specific standards, including the Bank's existing environmental and social standards, the Program could end up causing greater conflict and not being able to achieve its goals. Further, communities will not have a sense of what their rights or responsibilities are with respect to a given activity that may

impact them. This could result in harmed populations being overlooked because the focus is on the “program.”

The lack of clear environmental and social standards will also hinder the Inspection Panel’s ability to complete compliance reviews. Currently, draft OP 9.00 states that the Inspection Panel does apply to P4R financing, but the question remains what policies the Inspection Panel should use for reviewing P4R activities. The Bank’s safeguard policies should apply to any P4R programs that support category B or category A projects, and the Panel should be allowed to assess compliance with those policies. This will reduce any uncertainty caused by the lack of clear environmental and social standards for borrowers in the P4R as currently proposed.

Inadequate Consultation with Civil Society

The Bank has only provided for a six-week consultation on this draft Operational Policy (its prior consultation was on a concept note). This is an inappropriately short period of time to review and seek input from civil society and other stakeholders especially given the importance of this draft policy and the implications the proposed program may have. It is also an inappropriate draft operational policy for review and consultation due to its lack of detail on what activities will be included and what standards will apply. Therefore, before a vote on the draft OP, the Bank should issue a new draft of OP 9.00 that addresses the concerns raised in this comment period, that provides details about the activities that are eligible for funding through the program, and clarifies what environmental and social standards will apply. Further consultation should then be conducted on this new draft before the Board votes on a final proposed policy. This will allow stakeholders to understand the proposed P4R policy and have a chance to have their voice heard.

RECOMMENDATIONS

- In its current draft state, the policy is unclear on environmental and social standards that will apply, therefore projects that pose potentially significant and irreversible risks (Category A) should be excluded from P4R lending as should projects that pose significant environmental and social risks (Category B). These projects should be further excluded until clear environmental and social standards are in place to ensure protections, transparency, and accountability at the project level.
- OP 9.00 should not exempt P4R activities from the Bank policies that include significant environmental and social safeguards that protect local communities and the environment. In the alternative, if the Bank is going to exclude application of the environmental and social safeguards to P4R lending, then the Bank must include in the policy clear and detailed description of what environmental and social standards will apply.
- Instead of immediately implementing P4R on a large scale, the Bank should initiate the P4R lending approach with a limited pilot. This pilot program should be completed over the course of two years and be in a limited number of countries and types of projects. Then, there should be an independent evaluation of the pilot program, coupled with a re-evaluation of OP 9.00 with public consultation after the implementation phase to determine the path forward.
- Given that P4R has the potential to shift dramatically how the Bank addresses environmental and social concerns and engages with local communities, we ask the Board not to approve the

draft OP in November, but instead postpone the vote until there is sufficient consultation on a revised version of the operational policy.

Thank you for the opportunity to comment. We look forward to further engagement with the World Bank on these issues that are important to ensuring that the World Bank is able to achieve its mission of poverty alleviation while protecting the environment and the local communities. Please feel free to contact us if you have questions or need more information by contacting Erika Lennon by email (elennon@wcl.american.edu) or by telephone (202-274-4289).