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October 1st 2015

Joint CSO letter to the Nordic-Baltic ED on the occasion of the World Bank annual meetings 2015

Dear Ms. Santala,

We, Nordic and Baltic civil society organizations working for the eradication of poverty, just distribution of power and resources, and for democratization of global governance, would like to raise a few issues of concern to us prior to the up-coming annual meetings.

Safeguards

There are several positive changes and additions in the second safeguards draft, particularly on labour rights and indigenous peoples. However, the current draft still represents a major dilution of existing World Bank safeguards, and a breach of President Jim Yong Kim's promise not to weaken the Bank's policies. A weaker set of safeguards will make it more difficult to achieve the Bank's twin goals of eradicating extreme poverty and promoting shared prosperity.

A number of concerns have been raised by civil society organizations, affected communities and indigenous peoples worldwide, and we would like to draw your attention to some of these. We hope that you, as the representative of the Nordic and Baltic countries, will voice these concerns in the World Bank board.

Abdication of Bank responsibilities and less oversight. The revised Environmental and Social Framework (ESF) lacks mandatory timing and procedural requirements for assessment, disclosure and management of environmental and social risk. This allows for more open-ended compliance and deferred appraisals, by allowing compliance in a "manner and timeframe acceptable to the Bank".[1] They also jeopardize the power of the Inspection Panel to review for compliance against such vague standards.[2] Most of the responsibility for monitoring implementation of the safeguards has been outsourced to borrowers, representing an eschewal of responsibility by the Bank. In addition borrowers may also request that their national-level safeguards are used in place of the Bank's Environmental and Social Standards (ESS), but there are no details on how the Bank will determine whether these offer equivalent protections.

Excludes a large proportion of the Bank's portfolio. The application of the proposed safeguards is limited to traditional investment projects. Today projects funded by Bank Trust Funds, Program For Results (P4R) and Development Policy Loans (DPL) will not be covered by the same safeguards, even though they may involve similar risks to communities and ecosystems. Clarification regarding how projects governed by different framework are planned to harmonize with the ESF in order to secure

[1] Second draft for consultation, p. 13, paragraph 16: http://consultations.worldbank.org/Data/hub/files/consultation-template/review-and-update-world-bank-safeguard-policies/en/materials/clean_second_draft_es_framework_final_draft_for_consultation_july_1_2015.pdf
[2] See comments made by the Inspection Panel: http://ewebapps.worldbank.org/apps/ip/Style%20Library/Documents/Inspection%20Panel%20Comments%20on%202nd%20Draft%20ESF%20-%2017%20June%202015.pdf

consistency in the implementation of safeguard instruments across the portfolio is needed.[3] The absence of a holistic set of safeguards applicable to Bank lending channelled through also other lending instruments will lead to a lack of effective supervision, support for borrowers during implementation and real monitoring of impacts on the ground.[4]

The rights of indigenous people. We are glad to see that the second draft has abandoned the proposed "alternative approach", but we note that management in its "consultation paper" still keeps the door open for the Board to "waive away" the application of this standard. At this stage we have two suggestions for improvement, 1) the standard should explicitly refer to the rights of the indigenous peoples as described in international law (ILO 169) or the UNDRIP, and 2) paragraph 20 (concerning situations where borrowers should make a plan for legal recognition of indigenous peoples' land ownership, occupation, or usage), should add that such plans must be developed with the meaningful participation of the indigenous peoples, including in defining who the indigenous peoples with rights are in this specific area.

Children's rights. We commend the Bank for taking into consideration the concerns expressed by the child rights movement regarding the lack of explicit reference to children in the 1st draft of the safeguard policy. We particularly welcome the improvement of the language in ESS1, and we also commend the Bank for strengthening child labour provision to apply also to suppliers and community workers. Despite these improvements, other policies are less specific and contain only vague references to "vulnerable" groups, including ESS4 and ESS5. In addition, it is unfortunate that language was removed that referenced age in ESS10. As children face high barriers to participation the Bank needs to ensure their views and opinions are considered and included. Thus, we strongly urge the Bank to collaborate with child rights organisations locally and nationally to ensure that project assessments consider risks and benefits to children, including meaningful consultations with children. We would also strongly encourage the Bank to include a reference to the Convention on the Rights of the Child, as well as the Children's Rights and Business Principles.

Fails to protect the rights of workers. While it is positive that the draft now include protections for contract workers and a requirement that workers be given a written document detailing the conditions of their employment, it is a great weakness that it cements the right of borrowers to opt out of applying all aspects of ESS2 to the project in question: "The applicability of ESS2 is established during the environmental and social assessment described in ESS1, during which the Borrower will identify the relevant requirements of ESS2 and how they will be addressed in the project" (ESS2 para 2). Hence important labour standards might be compromised. The current draft fails to ensure upward harmonization with the strongest labour standards of other multilateral banks. We are very concerned that the revised ESF does not refer to the ILO's Core Labour Standards. Further, it only guarantees workers' rights to freedom of association and collective bargaining if these rights are already fully protected under national law. Other international financial institutions make these rights a mandatory requirement notwithstanding national laws.[5]

Diluted biodiversity standard. The revised Environmental and Social Standard (ESS) 6 on Biodiversity shows very few signs of attending to our concerns raised in the previous consultation round and is still

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[3] See comments made by the Inspection Panel: http://ewebapps.worldbank.org/apps/ip/Style%20Library/Documents/Inspection%20Panel%20Comments%20on%202nd%20Draft%20ESF%20-%2017%20June%202015.pdf

[4] See briefing by Bank Information Centre: http://www.bankinformationcenter.org/wp-content/uploads/2015/08/BIC-guide-to-1st-look-at-safeguards-draft2.pdf

[5] See briefing by the International Trade Union Confederation: http://www.ituc-csi.org/IMG/pdf/statement_ifi_august.pdf and by the Bank Information Centre: http://www.bankinformationcenter.org/wp-content/uploads/2015/08/BIC-guide-to-1st-look-at-safeguards-draft2.pdf

significantly diluted compared to the current Natural Habitat and Forest policies (OP 4.04 and OP 4.36). We are particularly worried about:

- The scope: Considerations for forest-dependent peoples are removed as the new policy does not include local communities or forest dependent peoples in its scope.
- The suggested categorization of habitats: The definition of critical natural habitats is narrowed to consider only biodiversity. This is a problem, as areas important to traditional communities will then no longer be considered "critical". We are also concerned about the new "modified habitat" category, as many habitats important to local communities may be considered "modified" by the Bank or Borrower (due to local community use). We see a risk of preferentially siting projects in such habitats with high ecological and cultural value despite the "modification". In the current draft, there are no requirements for projects in modified habitats; only weak language suggesting to "implement mitigation measures as appropriate."
- Protected areas and even critical natural habitats can be destroyed, as these are no longer defined as "no-go" zones for projects financed by the World Bank.
- Vague language for "sustainable management of living natural resources" has replaced criteria for sustainable forest management in current OP 4.04 and 4.36, leaving it to the borrower to define sustainability (para 32-36) and opens up for Bank support to land clearing and salvage logging even when "the operation is unable to follow a certification scheme" (para 38). It is our opinion that a new policy on biodiversity, natural habitats and forest must explicitly state that the Bank will not finance projects causing deforestation of conversion of natural forests. This would be in line with the Cancun safeguards to which the Bank is already committed through its REDD+ activities.
- Plantations: The current language in ESS6 prescribes that borrowing countries should locate plantations in areas "already converted or highly degraded", without clearly defining a cut off date for conversion or definition of degree of degradation. We see a potential high risk that the Bank with this suggested ESS6 will support projects converting valuable habitats to monocultures with almost no biodiversity.
- Biodiversity offsetting: No biodiversity offsets should be accepted in countries that do not have national biodiversity plans and clear, implemented policies to fulfill their commitments with regard to biodiversity conservation (such as the CBD Aichi targets). Biodiversity offsetting should not be used to facilitate project development within protected areas or areas important to indigenous peoples or traditional forest communities, or in critical habitats – such as primary tropical rainforests.

Inadequate commitments on climate change: The statement on the Nordic Baltic Position (23 February 2015) pointed to the need "to demonstrate the commitment of the Bank to be a standard-setter" in the area of climate change. The revised draft falls much short of that ambition.

The revised framework and standards include some welcome new language on climate change. It explains that the bank "works on climate change because it is a fundamental threat to development in our lifetime", and "World Bank-financed projects should reduce their impact on the climate by choosing alternatives with lower carbon emissions". Nevertheless, the document fails to present a coherent framework for assessment of climate related impacts, and does not include the standards, benchmarks or guidance that would be needed in order address a "fundamental threat to development."

Principles for Responsible Lending

We reiterate our call for all the Nordic and Baltic countries to endorse the UNCTAD Principles on Responsible Lending and Borrowing, and for the Nordic-Baltic constituency to promote and advocate for the application of these principles to World Bank lending. The Bank should also audit/assess their outstanding loans according to these principles.

New Sustainable Development Goals

2015 is the year that will determine the next generation's economic, development and climate commitments. Through the implementation of the commitments laid out in the SDGs, the Addis Ababa Action Agenda and the COP21 countries must ensure that we tackle poverty, inequality and climate change, and that no one is left behind by progress. The disparities in health, education, income and living standards will continue to grow unless the financing community takes steps not only to increase the volume of resources available, but also to ensure that they are equitably allocated and benefit the poor and most marginalized people. The World Bank must therefore ensure that the 2015 commitments act as a guiding framework for its institutional practice and the policy advice it provides.

IFC and responsible tax

Abusive tax optimization schemes are robbing developing countries of crucial domestic income that could be reinvested in societies and the health and education of women and men and in support of the new sustainable development goals (SDGs). In particular women are deprived of the additional income that better policies for responsible taxation could bring, as they are the ones most often performing the unpaid care burden that could otherwise be lifted by the state. Women and men's human rights are failing to be fulfilled because states do not have sufficient funds to provide for decent lives as multinational companies (MNCs) continue to abuse the international tax regime to their favour.

It is clear that tax and domestic resource mobilization is a key part of the new development agenda supported by the Addis Agenda for Action, the SDGs, and the Addis Tax Initiative. However, as the latter indicates it is more than a question of capacity building and legal compliance, but also a core question for corporate responsibility in tax practices. It is therefore crucial that the IFC improve its policies and practices to support more responsible tax policies and practices from its partners and clients (particularly MNCs). Furthermore, we would urge the Nordic Baltic Constituency to play a progressive role in pushing the World Bank and the IMF to play key roles in creating more transparent and fair international tax practices and tax systems.

We look forward to your response on these issues.

Best wishes,
Changemaker, Diakonia, Kepa, YWCA-YMCA Global Norway, Norwegian Church Aid, Save the Children Norway, SLUG – Debt Justice Norway, Attac, FIVAS, the Norwegian Council for Africa, WWF Sweden, the Socialist Youth League of Norway and Rainforest Foundation Norway