



World Bank & Co. Do we really need Development Banks?

Workshop, May 2015

WU (Vienna University of Economics and Business)



Development Banks and Social and Environmental Standards

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World Bank & Co. – Do we really need Development Banks?

May 2015

The views and interpretations expressed in this presentation are entirely those of the author. They do not necessarily represent the views of – and should not be attributed to – any former or current employer.

Outline

Part I: Do no harm: Applying Environmental and Social Minimum Standards

(Judith Pauritsch, OeEB)

Part II: Do good: Approaches of Social Development (Sandra Kdolsky, World Bank)

Part III: Case Example



Outline

Part I: Do no harm: Applying Environmental and Social Minimum Standards

- ▶ (1) Orientation
- ▶ (2) Introduction
- ▶ (3) How do DFIs/IFIs deal with E&S impacts and risks?
- ▶ (4) Assessing, mitigating and monitoring E&S impacts -
Examples



(1) Orientation

▶ Development Paths and Pro-Poor Growth

Concept of Sustainability

- ▶ *Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.**
- ▶ Three pillars of sustainability : economic demand, environmental resilience, social equity

- ▶ From policy to project level

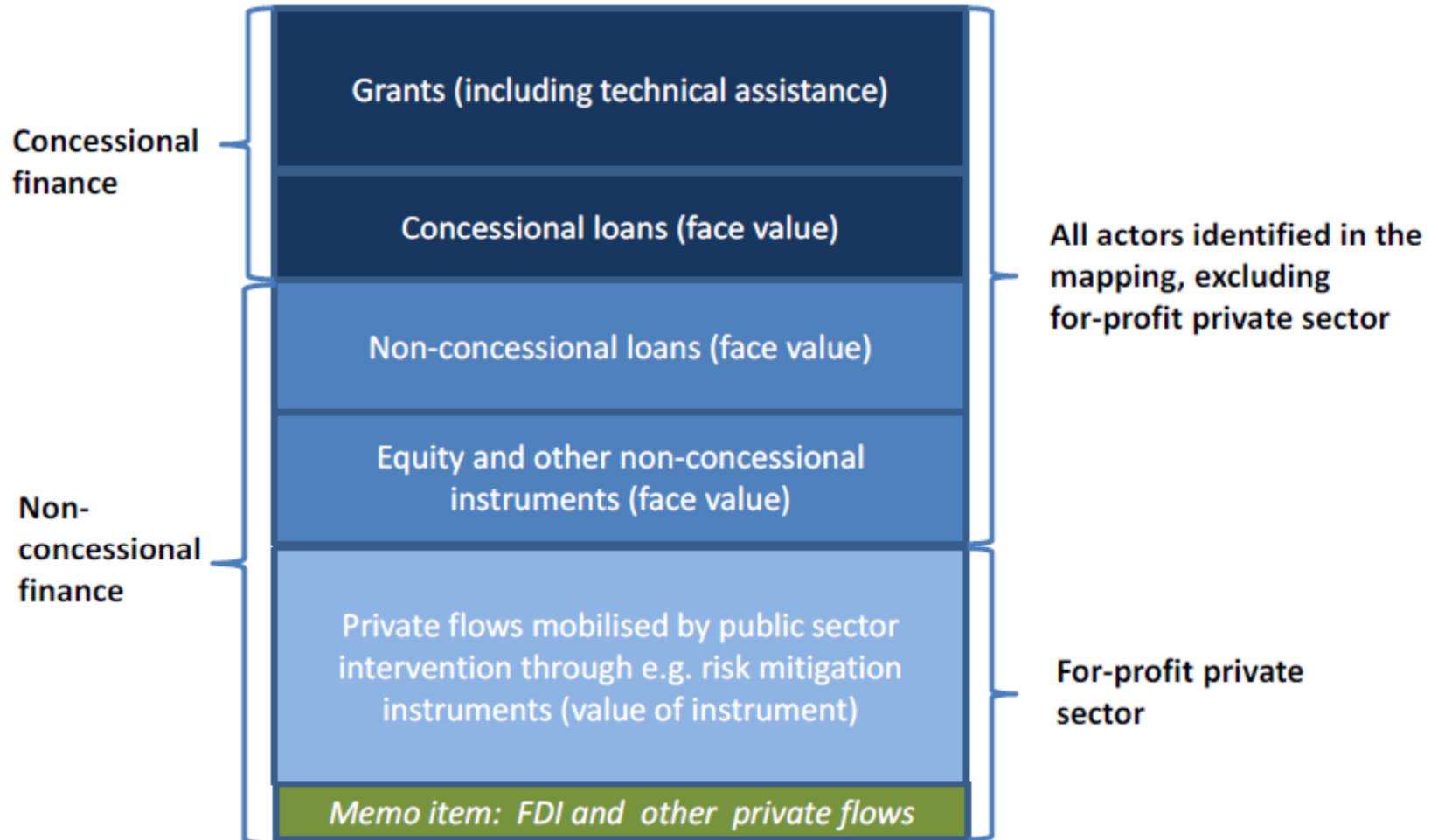
* Report of the World Commission on Environment and Development, 1987

(1) Orientation

Concessional
finance

Instruments

Providers



(1) Orientation

Instruments	Recipient: public sector entity	Recipient: private sector entity
Grants (including technical assistance)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> in form of technical assistance (often investment related)
Concessional loans	<input checked="" type="checkbox"/> Often depending on country income level	<input type="checkbox"/> Only used under limited circumstances
Non-concessional loans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Equity and other non-concessional instruments	<input checked="" type="checkbox"/> Generally not used	<input checked="" type="checkbox"/>
Private flows		

(2) Introduction

What do we mean by E&S issues in projects financed by DFIs/IFIs?





© Reuters

Safety: Buildings in the crowded city of Dhaka are sometimes erected without permission and many do not comply with construction regulations. Dozens died when a garment factory collapsed in the same area eight years ago



22. Dezember 2012, 12:23 Uhr Ölkatastrophe "Deep Water Horizon"

BP muss Milliarden-Entschädigung zahlen



"DEEPWATER HORIZON"

BP scheitert mit Klage gegen Schadenersatzzahlungen

Gerichtlich wollte sich BP gegen angeblich unberechtigte Forderungen in Zusammenhang mit der Ölpest im Golf von Mexiko wehren. Die Klage scheiterte in oberster Instanz.

7,8 Milliarden Dollar bekommen die Geschädigten der Ölkatastrophe im Golf von Mexiko, das hat die US-Justiz nun genehmigt. Hunderte Millionen Liter Erdöl strömten damals ins Meer, die Folgen für Fischer und Umwelt: verheerend.

www.sueddeutsche.de; www.zeit.de

World Bank's IFC suspends lending to palm oil companies

The World Bank has agreed to suspend International Finance Corporation (IFC) funding of the oil palm sector pending the development of safeguards to ensure that lending doesn't cause social or environmental harm, according to a letter by World Bank President Robert Zoellick to NGOs.

DATE
09/09/2009



Child labour in plantation

Document | 22 April 2010

1. Child labour in plantation in Indonesia at glance

It is estimated that over 1.5 million children aged between 10-17 years are working in the agricultural sector. The three provinces with the largest incidence of child labourers in agricultural sector are North Sumatra (155,196 children), Central Java (204,406) and East Java (224,075). Work in agriculture involves exposure



Power and the Xingu

A huge Amazon hydropower project shows how hard it is to balance the demands of the environment and of a growing and prospering country

Apr 22nd 2010 Rio de Janeiro | From the print edition

Like 109

Tweet 5

Arbeitsbedingungen bei Semperit unter Kritik

31. März 2014, 10:13



Ein finnischer Großkunde will die Vorwürfe nun selbst prüfen, Semperit weist die Kritik zurück

Wien/Helsinki - Laut der finnischen Bürgerrechtsplattform Finnwatch herrschen in einer Fabrik des österreichischen Kautschuk- und Kunststoffherstellers Semperit in Süd-Thailand unzumutbare Arbeitsbedingungen. Arbeiter müssten bis zu 13 Stunden ohne Pause arbeiten, es gebe Überstundenzwang, bis vorgegebene Produktionsziele erreicht sind. Semperit weist die Vorwürfe zurück und betont, alle Gesetze einzuhalten.

In der Siam Sempermed-Handschuhfabrik in Songkhla würden die Arbeiter gehindert, das Fabriksgelände zu verlassen, bis die Produktionsziele erreicht sind, kritisiert Finnwatch. In Finnland gibt es Druck auf das österreichische Unternehmen: Der Geschäftsführer des finnischen Gummihandschuh-Importeurs OneMed, Markus Henriksson, sagte gegenüber dem Fernsehsender YLE, sein Unternehmen nehme die Vorwürfe sehr ernst und habe das Thema gegenüber Semperit bereits angesprochen. Die österreichische Firma habe die geschilderten Zustände in der thailändischen Fabrik zwar abgestritten, damit gebe sich OneMed aber nicht zufrieden. Sein Unternehmen plane daher eine eigene Überprüfung der Vorwürfe, kündigte Henriksson an.

Indios besetzen erneut Belo-Monte-Baustelle

ANSICHTSSACHE 3. Mai 2013, 09:38

Rio de Janeiro - In Brasilien haben Indio-Gruppen erneut Teile der Baustelle für das riesige Wasserkraftwerk Belo Monte am Amazonas-Seitenfluss Xingu besetzt. Sie forderten die Aussetzung der Bauarbeiten, bis die Bewohner des betroffenen Gebietes angehört worden seien, teilte der mit der katholischen Kirche verbundene Indigene Missionsrat (CIMI) am Donnerstag mit. Der Rat sprach von 200, die Polizei von 50 Demonstranten.

Die Anlage im Bundesstaat Para soll etwa 29 Milliarden Reais (11 Mrd Euro) kosten. Mehr als 500 Quadratkilometer Land sollen überflutet werden. Mit einer Kapazität von 11.233 Megawatt soll es das drittgrößte Wasserkraftwerk der Welt werden - nach dem Drei-Schluchten-Staudamm in China und dem Itaipu-Werk an der Grenze Brasiliens zu Paraguay.

Andritz AG beteiligt

Die steirische Andritz AG ist mit einer Auftragshöhe von etwa 330 Millionen Euro an dem Projekt beteiligt und liefert Turbinen und Generatoren. Grüne und Greenpeace hatten das Engagement des österreichischen Unternehmens mehrfach kritisiert und dessen Ausstieg gefordert. (APA, 3.5.2013)

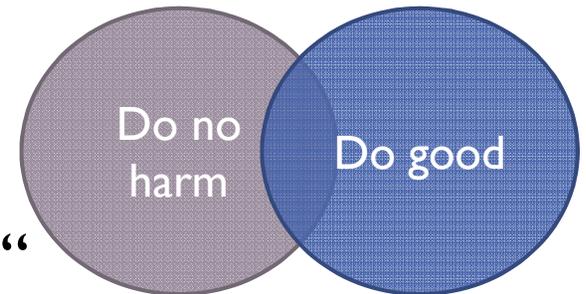


(2) Introduction – „E&S impacts“

- ▶ Potential negative impact
- ▶ Impacts on the environment
 - ▶ on biodiversity (incl. animal species): by project location, construction or project activity etc.
 - ▶ on resources: use of energy, water etc.
 - ▶ on air/soil/groundwater: pollution by project activity etc.
 - ▶ ...
- ▶ Impacts on people
 - ▶ on workers: wage, child labour, working conditions, health and safety etc.
 - ▶ on people living around project location: health and safety, access to land/resources/cultural sites etc.
 - ▶ on vulnerable groups, e.g. indigenous communities
 - ▶ ...

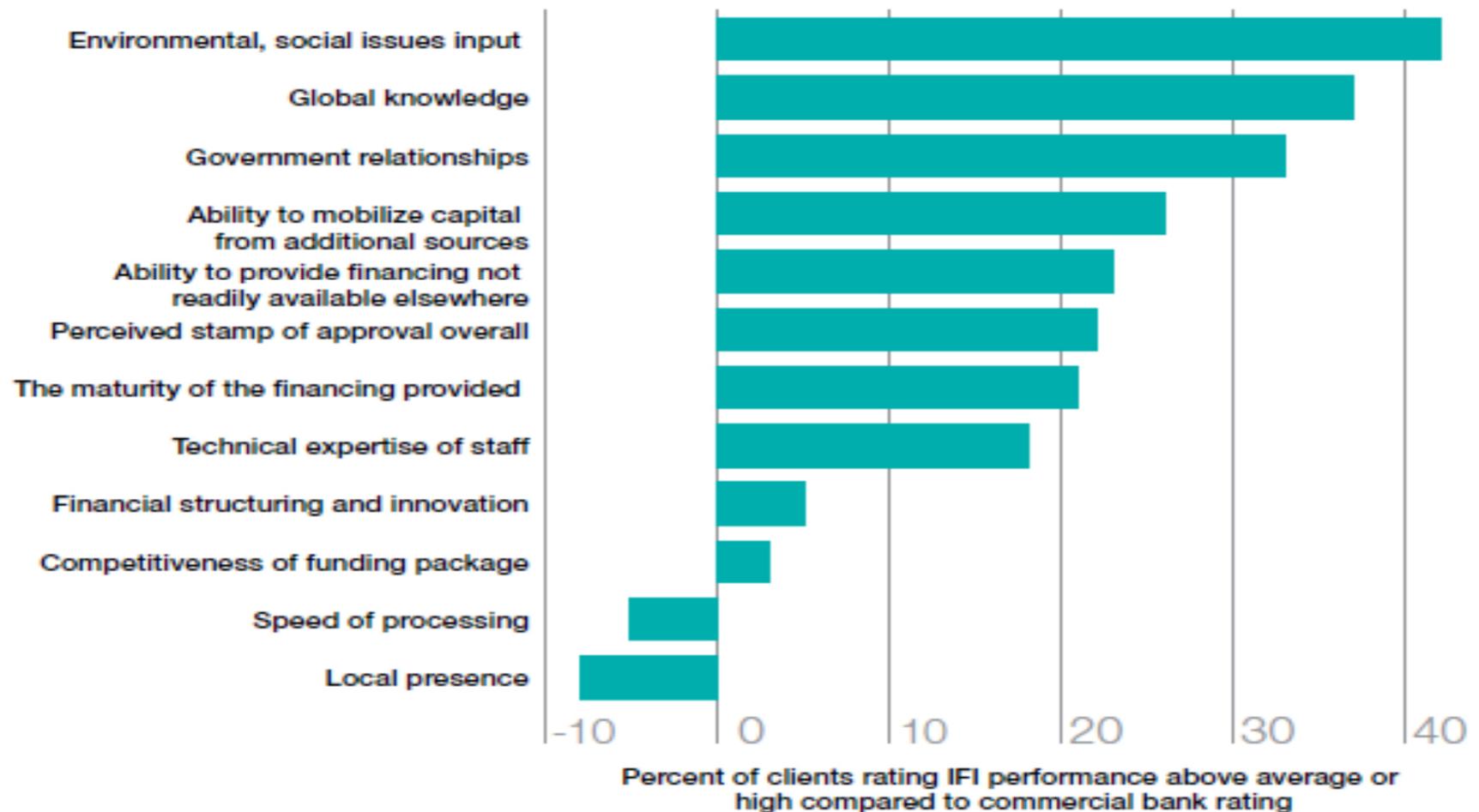
(2) Introduction: why DFIs/IFIs care about E&S

- ▶ Sustainability in (private sector) development finance:
 - ▶ Economic sustainability
 - ▶ Environmental sustainability
 - ▶ Social sustainability
- ▶ Mandates: „Do no harm“ and „Do good“
- ▶ Environmental and social risks:
 - ▶ Financial risk (for project and DFI)
 - ▶ Reputational risk (for project DFI)
 - ▶ Risk and opportunity: business case for good E&S management
- ▶ No project/company without any impact on people and the environment



(2) Introduction: role of E&S

▶ DFIs/IFIs vs. Commercial Banks



Source: http://www.developmentandtheprivatesector.org/report/files/assets/downloads/IFI_and_Development_Trough_the_Private_Sector.pdf

(3) How do DFIs/IFIs deal with E&S impacts and risks?

- ▶ Define policy as basis
- ▶ Define knock-out criteria („no-go“)
 - ▶ Exclusion Lists
- ▶ Define standards projects need to comply with
 - ▶ „one for all“ or risk dependent approach
 - ▶ define own standards or define guidelines to use existing standards
- ▶ Apply standards in projects:
 - ▶ Rate E&S risk of project
 - ▶ Assess impacts and gaps to standards
 - ▶ Require compliance with standards, at least over time
 - ▶ Monitor implementation



(3) E&S Standards - Overview

Overall standards

To cover as many topics as possible and be applicable in projects of all sectors

Examples:

- IFC Performance Standards
- World Bank Safeguard Policies
- AfDB Operational Standards
- EBRD Performance Requirements
- IDB Safeguard Policies
- ...

SIMILAR BUT NOT THE SAME

Specific standards

To cover a certain topic, sector or topic within a sector

Examples:

- „Good International Industry Practice“ (GIIP)
- Labour standards (e.g. ILO Core Labour Standards, SA 8000)
- Technical environmental standards:
 - World Bank *General EHS Guidelines*
 - World Bank *Industry Specific EHS guidelines (over 60)*
- Hydropower sustainability assessment protocol

Human Rights

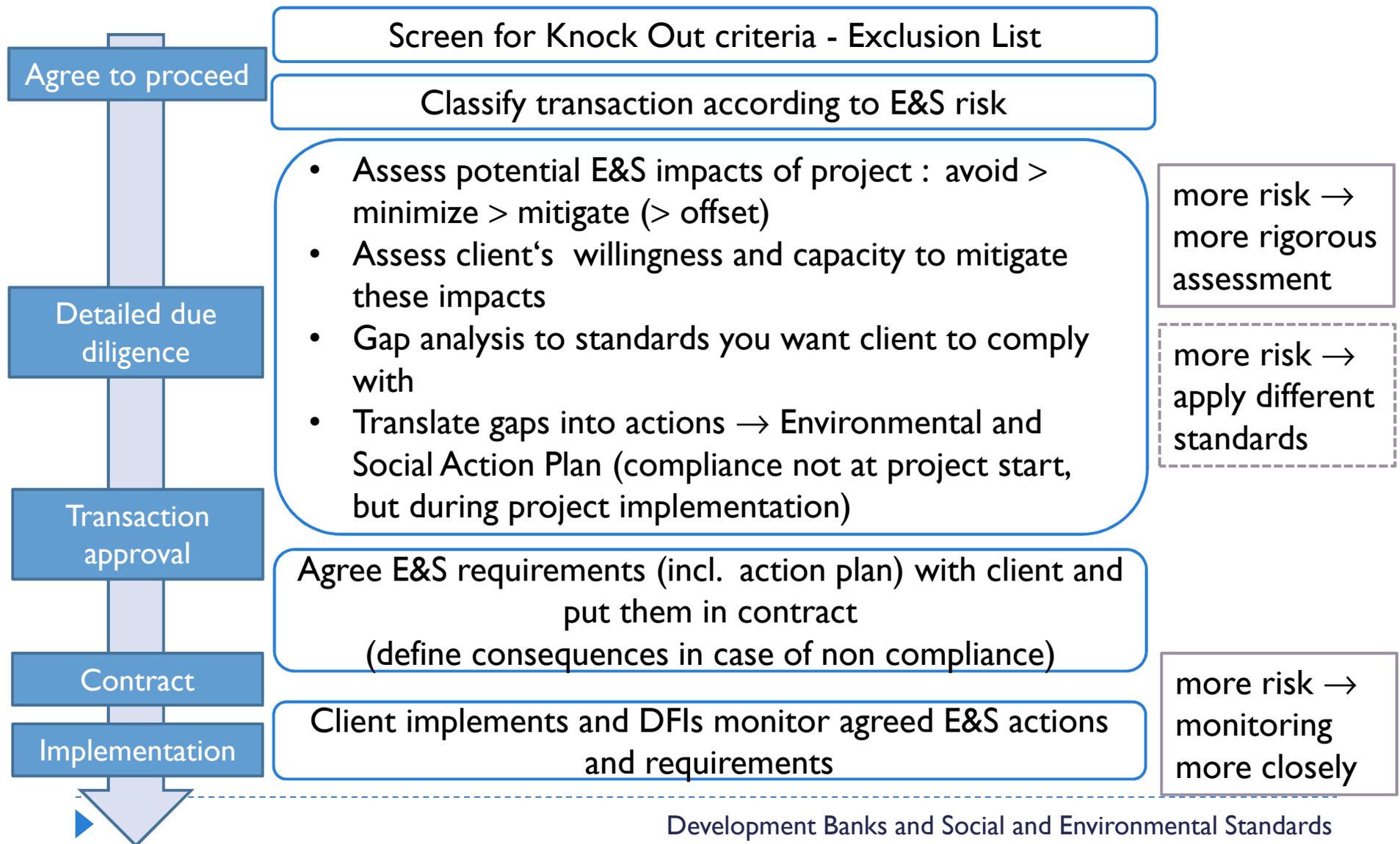
(3) E&S Standards – example: IFC Performance Standards (2012)

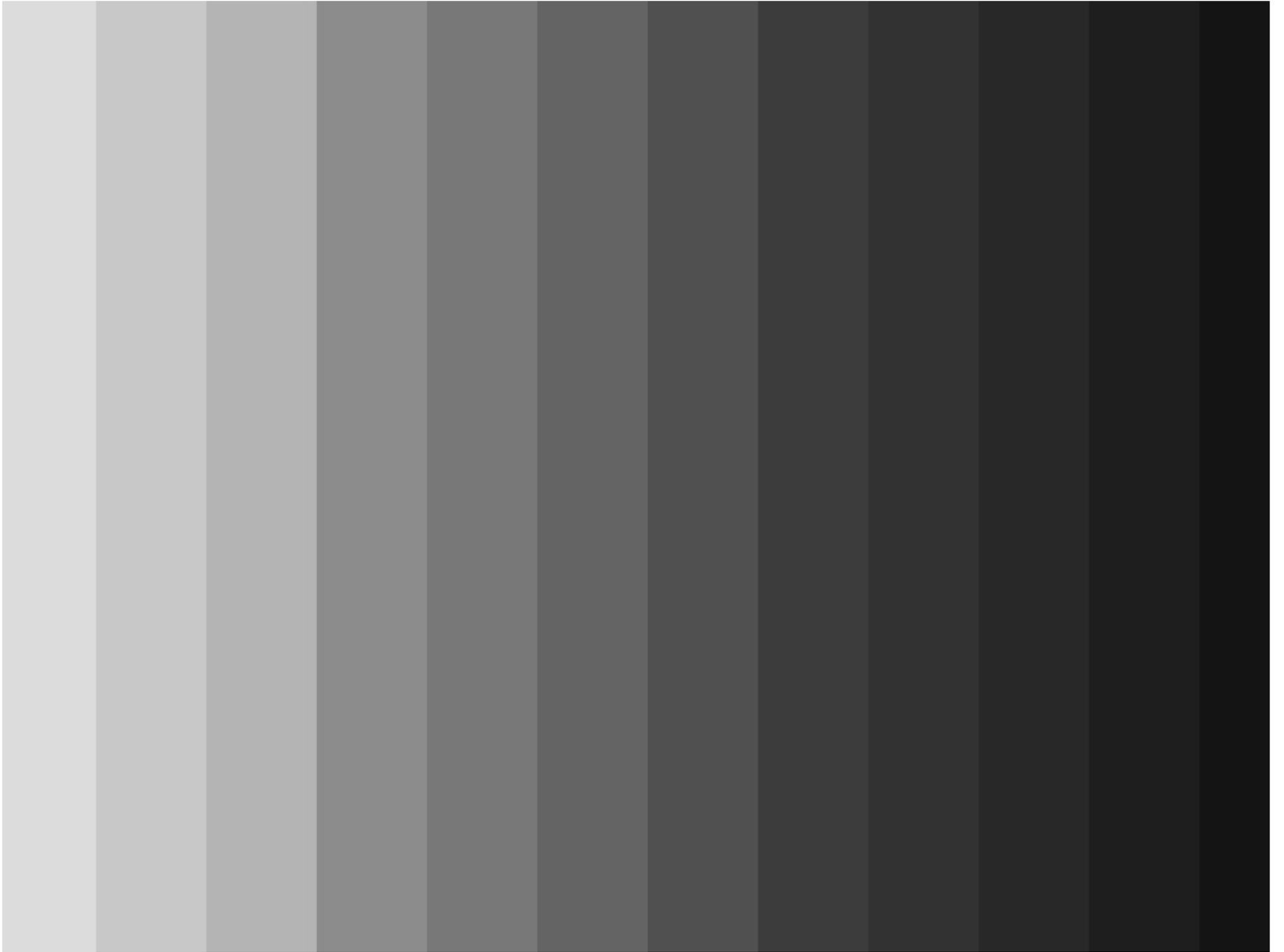
- ▶ PS1: Assessment and Management of Social and Environmental Risks and Impacts
 - ▶ PS2: Labor and Working Conditions
 - ▶ PS3: Resource Efficiency and Pollution Prevention
 - ▶ PS4: Community Health, Safety and Security
 - ▶ PS5: Land Acquisition and Involuntary Resettlement
 - ▶ PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
 - ▶ PS7: Indigenous Peoples
 - ▶ PS8: Cultural Heritage
- Includes references to other benchmarks

PS 1	PS 2
	PS 3
	PS 4
	PS 5
	PS 6
	PS 7
	PS 8



(3) Applying E&S standards in project cycle





(3) Limitations

- ▶ **Limitations in standards**
 - ▶ Wording careful since minimum requirements: „appropriate“ / „adequate“ / „when impact significant...“
 - ▶ Project context important
 - ▶ Not all made for situation you are in (e.g. ILO Core Labour Standards not made for private sector but should be applied by companies)

⇒ judgement!
- ▶ **Limitations in DFI/IFI assessment & monitoring**
 - ▶ Scope of assessment
 - ▶ DFI is not and cannot be „big brother“
 - ▶ Unforeseen impacts
- ▶ **Limitation in application by company/recipient**
 - ▶ Area of influence
 - ▶ Budgets
 - ▶ Unforeseen impacts
- ▶ **Prioritization**
 - ▶ Sometimes need to focus on most important issues (⇒ judgement!)
 - ▶ Human life comes first

(3) Limitations – trade offs

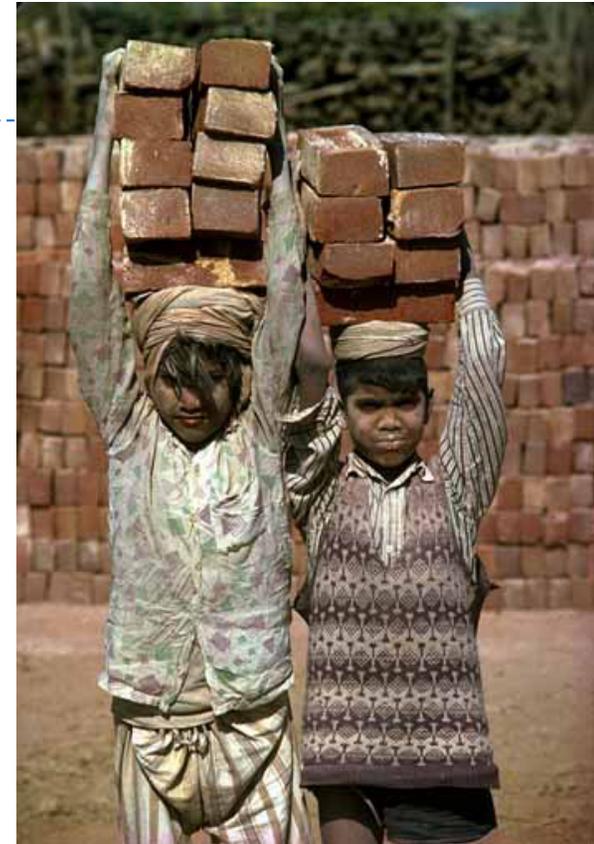
- ▶ More factors to consider in a project than E&S
- ▶ Dealing with trade offs - examples:
 - ▶ E&S impacts vs. other positive developmental effects – examples:
 - ▶ potentially negative impacts on local level vs. positive effects on regional/national levels (e.g. often with large infrastructure)
 - ▶ Non-renewable energy: energy need vs. „green energy“; resource availability
 - ▶ Labour intensive industries: providing jobs to many people vs. good labour standards
 - ▶ Extractive industries: using resources available vs. Difficult labour/environmental conditions
 - ▶ ...
 - ▶ Sovereignty of each country/society to set own standards vs. applying international standards
 - ▶ Alternative scenarios (Think twice before you walk away!)

(4) Assessing, mitigating and monitoring E&S impacts - Examples



(4) Exclusion list - example

- ▶ No harmful or exploitative form of child labour



Bolivia becomes first nation to legalise child labour from age 10

Bolivia says law reflects reality in country where 1 million children regularly work, but activists complain it will increase poverty and contravenes United Nations conventions

www.telegraph.co.uk



(4) Assessing and mitigating impacts – social impact examples

▶ Working conditions



Wage?
Working hours?



▶ Working conditions – Identifying financial risks and opportunities

- ❖ High workforce turnover – increased training costs and loss of intellectual capital (more relevant for high-skilled work)
- ❖ Accidents/sickness lead to lost time and inefficiencies
- ❖ Protests by workers: risk of delays/ downtime
- ❖ Reputational risks – loss of buyers (more relevant for exporting industries)

▶ Working conditions impact on worker productivity → Economic case for international labour standards (Palley, 2004 and Brown et al., 2013)

- ▶ Positioning among competitors, certifications and reputation
- ▶ Access to finance



(4) Assessing and mitigating impacts – social impact examples

- ▶ Health and safety – people *around the project*



(4) Assessing and mitigating impacts – social impact examples

- ▶ Community/stakeholder engagement



- ▶ Displacement and resettlement
 - ▶ Voluntary vs. involuntary displacement
 - ▶ Physical displacement: relocation or loss of shelter (resettlement)
 - ▶ Economic displacement: loss of assets/access to assets or resources → loss of income/livelihood
 - ▶ Government-led resettlement
 - ▶ Compensation, livelihood restoration



- ▶ Challenges - examples:
 - ▶ What is a fair price for 2ha of land in rural areas of Congo?
 - ▶ What is a company's influence if government has cleared the site beforehand?



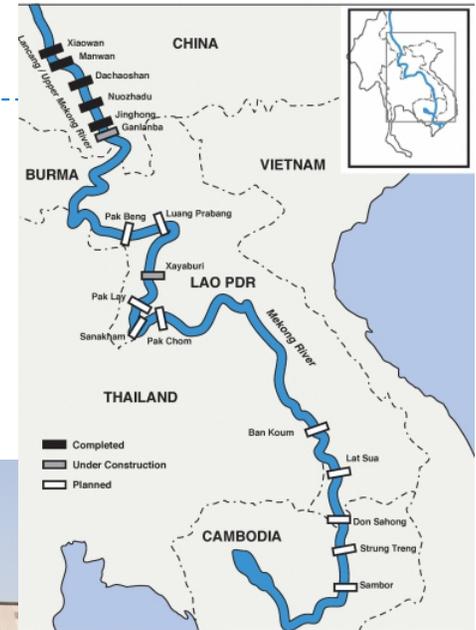
-
- ▶ **Communities – Identifying financial risks and opportunities**
 - ❖ Protests by community or NGOs: risk of delays/ downtime („social license to operate“)
 - ❖ Reputational risks (media attention) – loss of buyers

 - Local suppliers: may drive costs down
 - Access to finance
-



(4) Assessing and mitigating impacts – environmental impact examples

- ▶ Location location location!
- ▶ Use of resources (e.g. energy, water)
- ▶ Waste management (particular risk: hazardous waste)
- ▶ Pollution prevention



(4) Assessing and mitigating impacts – environmental impact examples

- ▶ Animal species and ecosystems
- ▶ Ecosystem services
- ▶ Biodiversity impacts

The IUCN Red List of Threatened Species™



▶ Environmental Impacts – Identifying financial risks and opportunities

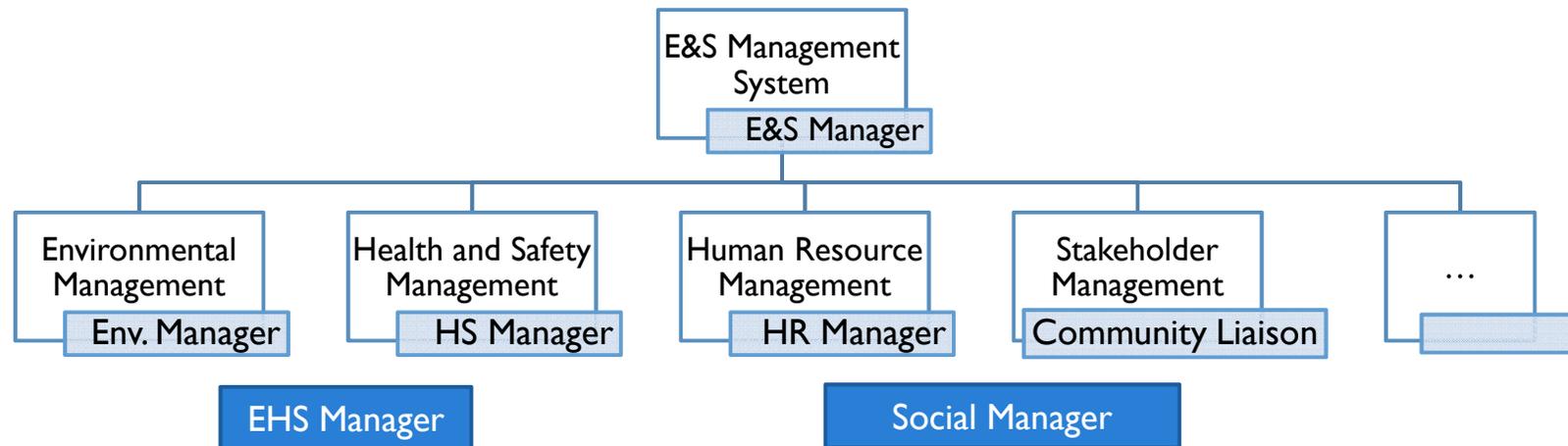
- ❖ Pollution clean up costs/ fines by authorities
(also risk for DFI if polluted site as collateral)
- ❖ Protests by community or NGOs: risk of delays/ downtime
- ❖ Reputational risks

- Resource use: efficiency and cost reduction (e.g. energy, water consumption)
- Positioning among competitors
- Access to finance



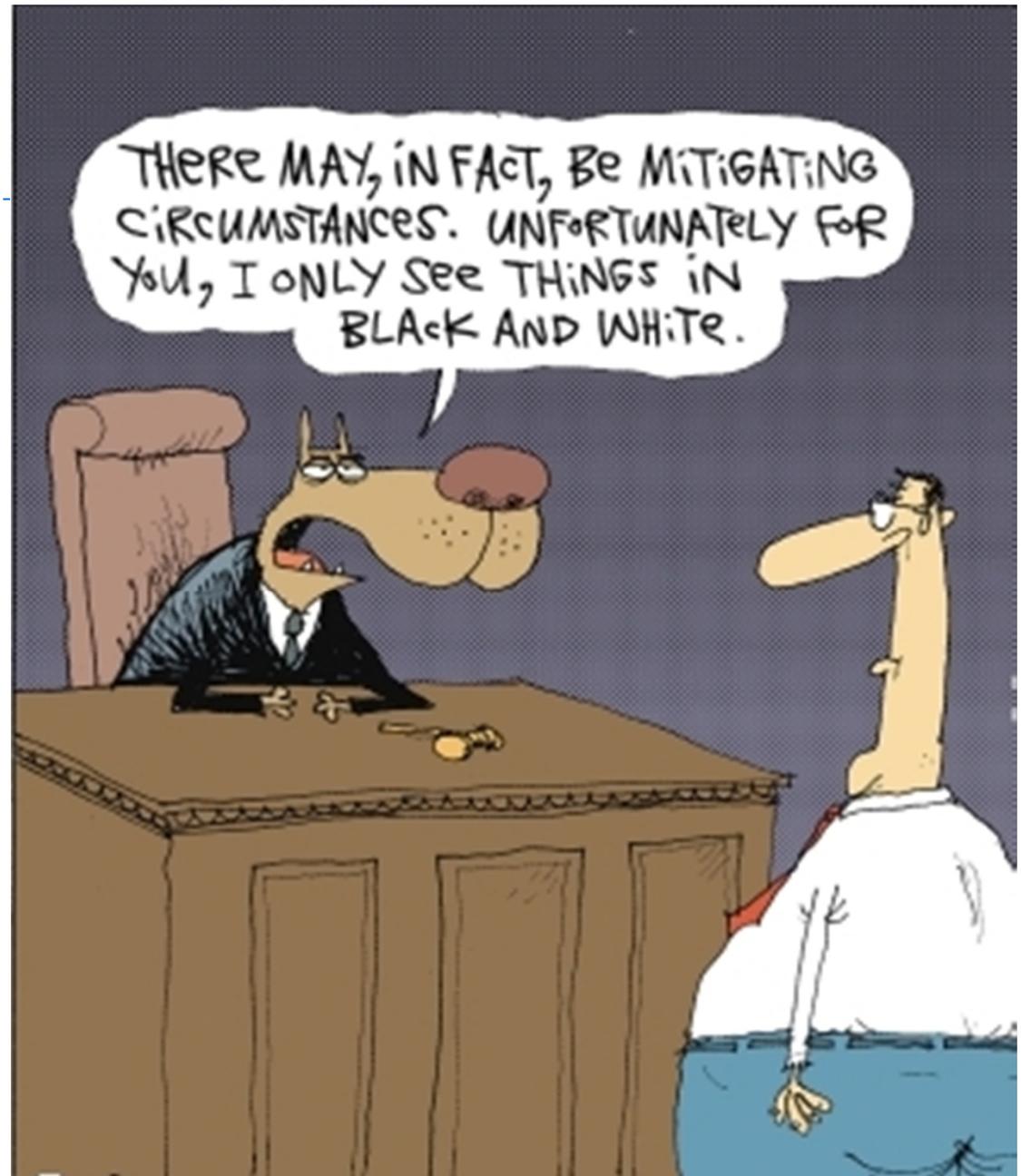
(4) Implementing an Environmental and Social Management System

▶ Management System



- ▶ Responsibility: who's head is going to roll when things go wrong?
- ▶ Capacity, know how and training
- ▶ Embedding E&S in company: starts with management
- ▶ Certification of management system

Thank you
for your
attention!



Annex – Links and References

References

- ▶ Palley, Thomas (2004): The economic case for international labour standards, Cambridge Journal of Economics, 28, 21-36
- ▶ Brown, D., Dehejia, R., Robertson, R. (2013): Is there an efficiency case for international labour standards?, Better Work Discussion Paper Series No. 12

Links

- ▶ Example for standard used in private sector finance:
 - ▶ IFC Sustainability Framework Performance Standards (+ Guidance Notes): www.ifc.org/sustainability; <http://www.ifc.org/performancestandards>
- ▶ Example for standard used in public sector finance:
 - ▶ [World Bank Safeguard Policies](#)
- ▶ Labour Standards:
 - ▶ ILO Core Labour Standards – [Ratification Country Table](#)
 - ▶ [Social Accountability \(SA\) 8000](#) – auditable labour standard
- ▶ Documentary on 5 heavy manual labour industries: <http://www.workingmansdeath.at/index.html>



Outline

Part I: Do no harm: Applying Environmental and Social Minimum Standards

(Judith Pauritsch, OeEB)

Part II: Do good: Approaches of Social Development (Sandra Kdolsky, World Bank)

Part III: Case Example



Outline

Part II: Do good: Approaches of Social Development

- ▶ Orientation
- ▶ What is sustainable development?
- ▶ What is social development?
- ▶ What are the three guiding social development approaches?
- ▶ The 3 approaches are complemented by a fourth...



Orientation

Instruments	Recipient: public sector entity	Recipient: private sector entity
Grants (including technical assistance)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> in form of technical assistance (often investment related)
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Private flows		



The 3 key pillars of sustainable development are...

Economically
viable
development



Environmentally
sound
development

Socially inclusive development



Social development means transforming institutions to empower people

- ▶ **Bottom-up approach to development**
 - bring voices of the poor and underprivileged into the development process
- ▶ **The need to “put people first” in development processes**
 - promote social development which empowers people
 - create more inclusive, cohesive, and accountable institutions and societies



Social Development is essential to reduce poverty

- ▶ **Better growth**

- Growth depends on efficient use of resources
- Wasted resources & reduced growth if institutions systematically exclude certain groups

- ▶ **Better projects**

- Social development promotes better projects
- Projects addressing aspects of social development have better outcomes and greater impact on institutional development

- ▶ **Better quality of life**

- Inclusive, cohesive and accountable institutions promote better quality of life
- Particularly for poor and vulnerable women and men



3 guiding social development approaches

- ▶ **Inclusion**

- Inclusive institutions promote equal access to opportunities

- ▶ **Cohesion**

- Cohesive societies enable women and men to work together

- ▶ **Accountability**

- Accountable institutions are transparent and respond to the public interest



Social inclusion promotes equal access to opportunities



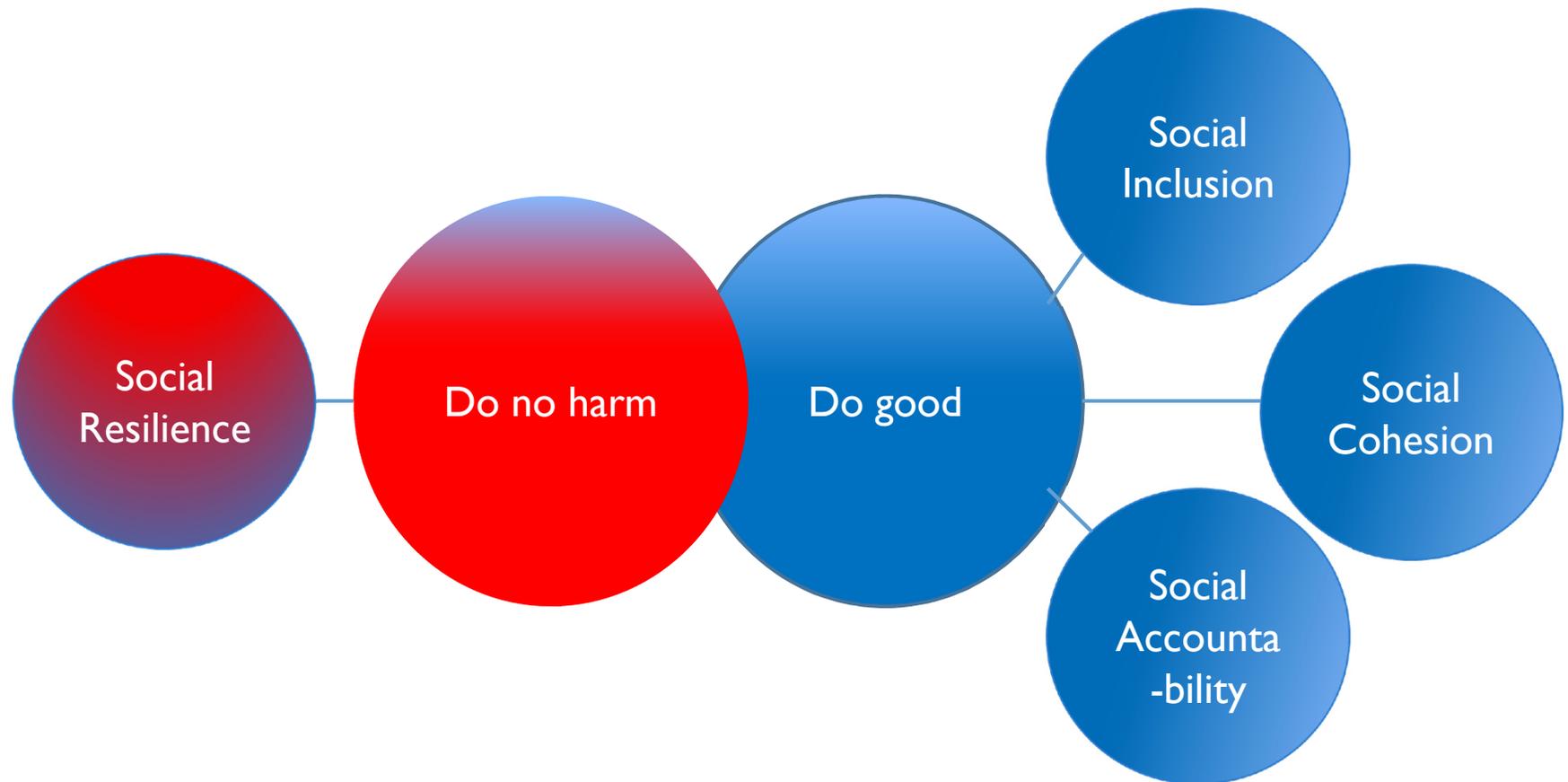
Social cohesion enables communities to work together



Social accountability holds the state and its institutions to account to its citizens



3 social development approaches are complemented by a fourth



Social resilience is protected through applying environmental and social minimum standards



Outline

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Experience work on environmental and social standards & social development in real-time

Working groups

Scenario:

- ▶ Road construction and safety project in preparation
 - ➔ Project outline as handout
- ▶ Identification of various potential problems and challenges in regard to environmental and social issues
 - ➔ List of first observations during preparation as handout

Tasks:

- ▶ Prioritizing/ avoiding/ minimizing/ mitigating issues
- ▶ Integrating positive measures in regard to soc. development approaches
- ▶ Lines of argumentation



Case Example

Task I:

- ▶ Prioritize issues identified in 3 groups: high/medium/low (and explain why)

- ▶ High:
 - ▶ Safety: construction worker safety, community safety
 - ▶ Project affected people: resettlement
- ▶ Medium:
 - ▶ People indirectly affected
 - ▶ Environmental impacts: national park
- ▶ Low:
 - ▶ construction camp - waste



Case Example

- ▶ Mitigation hierarchy:

avoid → minimize → mitigate/restore → (offset)

- ▶ High:

- ▶ Safety: Protective equipment (oversight to check), crusher etc. safely stored
- ▶ Resettlement: Resettlement Planning – community engagement, compensation & livelihood restoration (vulnerable groups - Roma)

- ▶ Medium:

- ▶ Community engagement beyond project affected people
- ▶ National park: possible to avoid? Minimize stretch – special measures (velocity controls, sound barriers...)

- ▶ Low:

- ▶ construction camp - waste



Case Example

Task 2:

- ▶ Can you think of any positive measures and activities to integrate regarding social inclusion, social cohesion, and social accountability in this project?
- ▶ Social inclusion: Roma inclusion, gender sensitive road safety interventions
- ▶ Social cohesion: community driven design decisions (participatory road planning and road safety measures)
- ▶ Social accountability: public consultations & road beneficiary survey informing public awareness campaign

Case Example

Task 3

- ▶ The Government is willing to implement all measures you categorized as high priority, but not more. The project is very important for economic development in the region. Would you advise your management to finance the project or not? Why?

