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International civil society letter regarding the World Bank's safeguard policies

## International Standards for International Projects

Dear Executive Director,

Civil society groups in the South and North are concerned about proposed measures that would weaken the social and environmental standards applied in World Bank projects. The following letter expresses concerns of 186 organizations from 60 countries. A clear majority of the signatories are NGOs from borrowing countries.

Our letter responds to the Bank's proposed new middle income country strategy (MIC strategy), and the pilot project in Mexico that has been submitted to the Board. The MIC strategy proposes that future World Bank projects in many countries rely on national social and environmental standards rather than the Bank's own safeguard policies. The strategy also proposes that in such projects, the role of the Inspection Panel will be linked to national standards rather than the Bank's safeguard policies. The World Bank argues that these measures would "remove obstacles to timely quality lending". (For a detailed critique of the proposed MIC strategy, see International Rivers Network, *The World Bank's Safeguard Policies Under Pressure*, May 2004, available at [http://www.irn.org/programs/finance/irn\\_wb\\_critique.pdf](http://www.irn.org/programs/finance/irn_wb_critique.pdf)).

Civil society groups express the following concerns regarding the proposed changes:

. **Compliance with national *and* World Bank standards:** It is self-evident that all World Bank projects should comply with the national standards of borrowing countries. We support a strengthening of national social and environmental standards and capacities. But being an international institution with a development mandate, the World Bank must also comply with its own safeguard policies. Ultimately, we believe that all policies of the World Bank, other international financial institutions and governments should reflect the international environmental and human rights standards that governments - i.e., the members of the World Bank - have established through the framework of the United Nations.

. **Confusion about applicable standards:** The World Bank expects national standards to be 'equivalent' to its own safeguard policies. It is not at all clear what this means in practice. The Bank is currently preparing the Decentralized Infrastructure Reform and Development Project (DIRD project) in the state of Guanajuato/Mexico as a first pilot project for the reliance on national standards. The project would bring about a significant weakening of applicable standards. Its components may cause involuntary resettlement. Yet neither Mexico nor the state of

Guanajuato have resettlement laws. The World Bank and the borrower have instead prepared an Environmental and Social Management Framework (ESMF) that is supposed to reflect the 'spirit of Bank safeguard policies'. What can affected communities do if the DIRD project violates the World Bank's Resettlement Policy (OP 4.12), but not Mexican laws and the ESMF?

. **Access to information:** Several safeguard policies require the World Bank to provide civil society with timely access to important project documents. Examples are Environmental Assessments under OP 4.01, and instruments such as the Resettlement Plans under OP 4.12. It is unclear where civil society could get access to such documents when future projects rely on national standards rather than the Bank's safeguard policies.

. **Role of the Inspection Panel:** In most countries, governments can be legally and politically held accountable for the projects that they implement through the judicial system and through elections. The only mechanism through which affected people can hold the World Bank accountable is the Inspection Panel. The Panel was created to investigate the role of the World Bank, and not governments, in projects that harm local communities. It is questionable whether national governments would indeed allow their actions to be investigated by an international body such as the Inspection Panel. The role of the Panel would be significantly weakened in the proposed Mexico pilot project. For the Panel to remain effective, it must continue to hold the World Bank accountable, and its point of reference must continue to be the World Bank's safeguard policies, not national standards and procedures.

. **Need for strengthening social and environmental standards:** The experience of affected communities, World Bank evaluations and Inspection Panel investigations all document that the World Bank's safeguard policies must be strengthened and more strictly supervised and complied with. This has been confirmed by the report of the Extractive Industries Review. It will also be important to strengthen the role of the Inspection Panel in the follow-up to its investigations. We welcome the recommendations of the EIR, and the measures that private banks and export credit agencies have recently taken to strengthen their own standards. Many of these standards are still inadequate, and are often not implemented in practice. The process of strengthening the social and environmental standards of financial institutions must therefore continue. It is worrying that the World Bank management intends to undermine this trend by shying away from complying with international standards in Bank projects.

. **Administrative burden:** The administrative inconsistencies of the procedures of international financial institutions create an unnecessary cost and burden for borrowing governments. The MIC strategy does not resolve this problem. It proposes that national standards be analyzed and certified regarding their equivalence with World Bank standards. Subjecting national standards to international certification could create additional costs and delays. In the case of the Mexico pilot project, the borrower for example had to prepare, and will need to comply with, a new Environmental and Social Management Framework, in addition to national laws and state regulations. While we support an administrative harmonization of lending procedures, we are opposed to any 'harmonization' process that will weaken social and environmental standards but will not create any real administrative benefits for borrowers.

In conclusion, we support a strengthening of national social and environmental standards and capacities, but will oppose any measures that will weaken the World Bank's safeguard policies, and the accountability of the Bank regarding compliance with these policies. We strongly recommend that the Board of Directors postpone a discussion of the Mexico pilot project until it has had the opportunity to discuss a revised version of the MIC strategy.

The existing safeguard policies have been adopted based on extensive consultation with international civil society. Any proposed changes that affect these policies should therefore be made public for meaningful discussions by civil society before they are presented to the Board of Directors.

Thank you for your attention to these concerns.

Yours sincerely,

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