

# Environmental and Social Policy Framework

## A New Environmental and Social Policy Framework

In September 2020 the Inter-American Development Bank's Board of Executive Directors approved a new Environmental and Social Policy Framework (ESPF). The ESPF is composed of a policy statement and ten standards that reflect the positive environmental and social outcomes of Bank-financed projects, while minimizing the risks and negative impacts to people and the environment. The ESPF is accompanied by an Implementation Plan which establishes a readiness period to prepare for the transition to the new framework. The ESPF is expected to go into effect in late 2021.

## Why Change the IDB's Environmental and Social Policies?

The environmental and social context of the Latin America and the Caribbean region has evolved since the IDB's current safeguards policies were developed more than 15 years ago. The ESPF modernizes many of the requirements under those policies into one consolidated and comprehensive framework which better responds to the environmental and social challenges facing our countries, focusing on issues related to social inequality, climate change and depletion of natural capital.

## The ESPF at a Glance

### Policy Statement

1. Establishes IDB's environmental and social commitments
2. Spells out roles and responsibilities
3. Sets out a dynamic approach to environmental and social risk management throughout project implementation
4. Common approach for co-financing
5. Exclusion list

### Key Changes

The new ESPF includes strong provisions for human rights, labor, community health and safety, and includes clearer provisions for people with disabilities, vulnerable groups, Indigenous Peoples, people of African descent or other traditional groups, and considers potential risks to workers and communities, including pandemic risk.

The ESPF also reinforces standing commitments to gender equality, stakeholder engagement, disaster and climate change resilience and minimizing GHG emissions, and protection of the region's natural capital.

### Scope of Application

Once it has reached the conditions for readiness, the ESPF will apply to all new IDB projects, including investment loans, investment grants, and investment guarantees. It will also apply to certain Policy-Based Loans and Technical Cooperation.

Existing projects will continue to apply the Bank's current Safeguard Policies, with the two systems running in parallel for an estimated seven years.

### The New ESPF and International Standards

The new standards are based on the International Finance Corporation (IFC) performance standards, adapted for the public sector and the LAC region. The IDB's ESPF includes two additional standards on gender equality and stakeholder engagement and information disclosure. It also includes an Exclusion List of activities that the IDB will not finance because they may adversely impact people and the environment, or because they are inconsistent with the IDB's commitment to addressing climate change and promoting environmental and social sustainability.

**These performance standards establish the requirements that borrowers must meet throughout the project life cycle**

## Performance Standards



### Assessment and Management of Environmental and Social Risks and Impacts

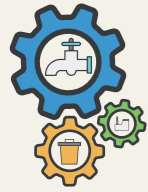
This first standard sets out the borrower's responsibilities for assessing and managing the environmental and social risks and impacts associated with each stage of a project supported by the Bank, in order to achieve sound environmental and social outcomes consistent with the rest of the standards. It establishes the central role of the Environmental and Social Management System (ESMS) as a dynamic and continuous process, which is implemented and supported by the borrower and with the engagement and effective participation of relevant stakeholders.

The ESMS promotes sustainable environmental and social performance and can lead to improved financial, environmental, and social outcomes. It also promotes the use of an effective grievance mechanism to promote accountability and transparency.



### Labor and Working Conditions

Economic growth through employment creation and income generation should be accompanied by the protection of the fundamental rights of workers. The workforce is an asset, and a sound relationship between workers and employers is a key ingredient in the sustainability of any project. Without those relationships, worker commitment and retention can decrease, which can jeopardize a project. Strong worker-employer relationships, fair treatment of workers and providing safe and healthy working conditions can create tangible benefits, such as enhancing efficiency and productivity.



### Efficiency in the Use of Resources and Prevention of Pollution

Increasing economic activities and urbanization often generate higher levels of air, water, and land pollution and consume finite resources in a way that can threaten people and the environment at local, regional, and global levels. This standard outlines an approach to resource management, pollution prevention and control, and avoidance and minimization of greenhouse gas emissions, built on the mitigation hierarchy. The standard recognizes the disproportionate impact of pollution on the most vulnerable sectors of the population. Likewise, it recognizes the concept and practice of the circular economy and resource recovery, creating or deriving usable and valuable products from certain waste materials.



### Community Health and Safety

Project activities, equipment, and infrastructure can increase community exposure to risks and impacts, including those caused or exacerbated by natural hazards and climate change.

This standard addresses the Borrower's responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project-related activities, with particular attention to vulnerable groups. It also addresses the Borrower's responsibility to avoid or minimize the risks and impacts to the project itself that may result from natural hazards and climate change.



### Indigenous Peoples

This standard seeks to ensure that the rights of Indigenous Peoples are respected. It promotes the avoidance, minimization, and/or compensation of risks and negative impacts and fosters benefits and development opportunities in a culturally appropriate manner. It recognizes that Indigenous Peoples are especially vulnerable to impacts on their land, culture, and natural resources. This standard also requires the Free, Prior and Informed Consent of the affected Indigenous Communities under certain circumstances and establishes special provisions for trans-boundary Indigenous Peoples and those living in isolation and initial contact. It highlights the importance of an early, ongoing, and culturally appropriate engagement with these communities.



### Gender Equality

Gender equality has an intrinsic value: it is not only a matter of justice and human rights, but also a driver of sustainable development. This standard recognizes, regardless of the cultural or ethnic context, the right to equality between people of all genders. The search for equality requires actions in favor of equity, recognizing that the existence of gaps can harm people of all genders. The aim is to identify possible gender-derived risks and impacts and introduce effective measures to avoid, prevent, or mitigate them and thus eliminate the possibility of creating inequalities or reinforcing existing ones.



### Land Acquisition and Involuntary Resettlement

Land acquisition and project-related land use restrictions can have adverse impacts on those who use the land. Involuntary resettlement refers to physical and economic displacement because of land acquisition or restrictions on land use, when displaced people have no right to refuse. To avoid impoverishing or causing prolonged hardship to those affected, involuntary resettlement should be avoided.

Where it is unavoidable, it should be minimized, and measures should be implemented to mitigate adverse impacts.



### Conservation of Biodiversity and Sustainable Management of Living Natural Resources

This standard emphasizes that the protection and conservation of biodiversity, the maintenance of ecosystem services, and the sustainable management of living natural resources are fundamental for sustainable development.

This standard is based on the definition of biodiversity as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems.



### Cultural Heritage

This standard recognizes the importance of cultural heritage for current and future generations. In accordance with the Convention on the Protection of the World Cultural and Natural Heritage, this performance standard aims to ensure that borrowers protect both tangible and intangible cultural heritage when carrying out activities within the framework of their projects. Furthermore, the requirements of this standard regarding the use of cultural heritage by a project are based, in part, on the standards dictated by the Convention on Biological Diversity.



### Stakeholder Engagement and Information Disclosure

An open and transparent engagement between the borrower and stakeholders is a key element that can improve the environmental and social sustainability of projects, enhance their acceptance, and contribute significantly to their successful development and implementation. Likewise, it is consistent with the objective of implementing the rights of access to environmental information, public participation in the environmental decision-making process, and access to justice in environmental matters.

This standard must be put into practice in conjunction with the rest of the policy standards to ensure proper compliance.