



# ADB's Proposed Environmental and Social Framework AT A GLANCE\*

ADB commenced its comprehensive review and update of its Safeguard Policy Statement (2009)(SPS) in August 2020. The review and update process began with an architecture study that compared the SPS against the architecture models and requirements of comparator multilateral development banks (MDBs). This was useful to understand the policy architecture and standards developed over the last 12 years of SPS implementation. The architecture study was complemented by seventeen topic specific analytical studies. These included further benchmarking of thematic standards and issues, as well as a review of implementation experiences. The studies were published and subsequently used to frame stakeholder consultation. The Safeguard Policy Review and Update (SPRU) process drew on the findings from the Independent Evaluation Department (IED) evaluation, analytical studies and feedback from consultations to update the safeguards requirements and prepare the draft Environmental and Social Framework (ESF).

ADB recognized the importance of having early engagement and robust consultations with stakeholders in the review and update process. To guide the process, ADB developed a stakeholder engagement plan. In line with this Plan, ADB undertook a robust stakeholder engagement process, and it will continue through the final adoption of the policy in 2024.

\* The full text of the ESF is at [Environment and Social Framework \(Consultation Draft\)](https://www.adb.org/who-we-are/safeguards/safeguard-policy-review/draft-policy) (adb.org). <https://www.adb.org/who-we-are/safeguards/safeguard-policy-review/draft-policy>. This information brochure was prepared based on the consultation draft of the proposed Environmental and Social Framework (ESF) for information purpose only. Guidance from the ADB Board of Directors will be sought on the full text of the proposed ESF as part of the Working Paper, scheduled in Q4 2023. The final ESF will be considered for approval by the ADB Board of Directors in 2024.

# What are the components of the proposed Environmental and Social Framework?

The proposed safeguard policy, is called the Environmental and Social Framework (ESF) and is comprised of:



**VISION** that sets out ADB's long-term aspirational commitments on environmental and social sustainability



**10 ENVIRONMENTAL AND SOCIAL STANDARDS (ESSs)** that detail mandatory requirements for borrowers and clients



**ENVIRONMENTAL AND SOCIAL POLICY (E&S POLICY)** that applies to ADB staff, detailing the mandatory environmental and social requirements in ADB-financed and administered projects



**PROHIBITED INVESTMENT ACTIVITIES LIST** that list activities that do not qualify for ADB financing



In addition, ADB will have Requirements for the Financing Modalities and Products. This document supplements the ESF and will be proposed for finalization and approval by ADB Management post ADB Board of Director's consideration and approval of the ESF. The E&S Policy and ESS1 include high level principles on the application of safeguards for financing modalities, with this document setting out further procedural requirements.

# What is the Vision?



**THE VISION** sets out ADB's aspirations to seek environmental and social sustainability of project outcomes by protecting the environment and present and future generations of people from projects' potential adverse impacts. It is anchored in ADB's Strategy 2030 and reiterates ADB's commitment to inclusive social development.

The Vision recognizes that management of environmental and social risks and impacts of a project is impacted by the project and country contexts and constraints, and the need to work with borrowers and clients to understand such contexts and constraints. This includes transient challenges of fragile and conflict-affected situations (FCAS) and vulnerabilities of small island developing states. It can include challenges faced by certain population groups due to their disadvantaged or vulnerable status.

The Vision confirms ADB's zero tolerance to reprisals against affected people and stakeholder who raise concerns about projects, as well as inaction on sexual exploitation, abuse, and harassment (SEAH) in the context of projects ADB finances.

The Vision also emphasizes ADB's operations that support the realization of human rights expressed in the Universal Declaration of Human Rights, and its commitment to continue to support its developing member countries as they strive to achieve their human rights commitments under the relevant international laws.

# What is contained in the proposed Environmental and Social Policy and what are the new and improved requirements?

## ENVIRONMENTAL AND SOCIAL POLICY

The proposed E&S Policy sets out ADB's responsibilities for all ADB-financed and administered sovereign and private sector operations projects.

Under the proposed E&S Policy, ADB carries out the following objectives:

- determining a project's environmental and social (E&S) risk classification;
- reviewing E&S assessments undertaken by a borrower/client;
- assisting borrowers/clients in identifying assessment and management tools appropriate to the E&S risks;
- supporting borrowers with strengthening of their E&S systems;
- agreeing with borrowers/clients on the conditions under which ADB will consider financing a project set out in an Environmental and Social Commitment Plan and/or Environmental and Social Action Plan (ESCP/ESAP);
- supporting borrowers/clients to carry early and continuing meaningful consultation and provide project-level grievance mechanisms; and
- reviewing and monitoring the E&S performance throughout a project cycle.



## A New Approach to Risk Classification.

The proposed E&S Policy introduces a new integrated approach to risk classification. Risk screening will determine the performance standards that will apply, the risks and impacts to be assessed and addressed, and the resource requirements for a project.

In determining the appropriate risk classification, ADB will take into account relevant issues, in an integrated manner, including:

- (i) the type, location, sensitivity, and scale of a project;
- (ii) the nature and scale of the potential E&S risks and impacts, and possible mitigation and management measures considering the mitigation hierarchy;
- (iii) the institutional capacity, commitment, past experience and track record of a borrower/client to manage the potential E&S risks and impacts;
- (iv) the availability, cost, and nature of the technologies or methodologies proposed for mitigation and management measures, and the availability of relevant data to implement and monitor the ESSs; and
- (v) the risks relevant in the context in which a project is being developed or to be implemented.

The contextual risks will include factors such as the host country's legal and institutional framework and governance structures, FCAS status, or information relevant to the host country's obligations under applicable international agreements.

ADB will assign each project into one of four classifications: high risk, substantial risk, moderate risk, and low risk. Each project will only have one risk classification assigned to it, based on consideration of the relevant E&S risks and impacts covered under ESSs1-10 in an integrated manner. This is a departure from the way the SPS classifies separately the three areas of environment, involuntary resettlement, and Indigenous Peoples. The former risk category A is now classified as high risk, while risk category B is split into substantial and moderate risks depending on the nature and scale of the environmental and social risks and impact, and category C is now classified as low risk.

For a financial intermediary lending, all transactions involving a financial intermediary will be classified as "FI" with a further subclassification of FI-1, FI-2, and FI-3, depending on the potential risks and impact of the portfolio of activities and transactions to be supported by ADB financing. FI-1 is for FI's portfolio with activities and transactions that would be considered High Risk if financed directly by ADB; while FI-2 is for FI's portfolio with activities and transactions that would be considered as either Substantial and/or Moderate Risk if financed directly by ADB. FI-3 is for FI's portfolio with activities and transactions that would be considered Low Risk if financed directly by ADB.

ADB will review the risk classification assigned to a project on a regular basis throughout the project cycle to ensure that it continues to be appropriate for a project.

## Use of a risk-based adaptive management using an *Environment and Social Commitment/Action Plan*.

Under the risk-based adaptive management approach, the assessment and management of E&S risks will be proportionate to the nature and scale of risks and impacts; and the timing and readiness of project preparation. It will maintain a focus on project front-loaded readiness, particularly in cases of high and substantial risk, but with scope to match safeguard readiness with the timing of detailed design and necessary measures to inform and engage stakeholders and address risks throughout project preparation and implementation.

Specifically, ADB and a borrower/client will agree on an instrument called **ESCP/ESAP**. This plan will contain measures and actions necessary to meet the requirements of the ESSs and implemented over a specified timeframe, including post approval of a project. The content of the ESCP/ESAP will be based on the review of the E&S assessment findings. The rationale and justification for actions to be included in an ESCP/ESAP will be documented at the time of project approval.

## Use of borrower's environmental and social systems in ADB projects.

In a sovereign operation, ADB may consider the use of a borrower's E&S system in the assessment, development, and implementation of a project, provided this is likely to address the E&S risks and impacts of the project, and enable the project to achieve development outcomes that are materially consistent with the objectives of the ESSs. This could be applied at the project level, subject to ADB Board approval, and could be applied for one or more ESS where an assessment demonstrates material consistency. ADB's Accountability Mechanism Policy (2012) will continue to apply.



## Adoption of a Common Approach in co-financed projects.

Under the proposed E&S Policy, ADB, co-financiers, and the borrower/client may agree on a common approach in the assessment, development, and implementation of a project where such an approach enables a project to achieve objectives materially consistent with the ESSs. The use of common approach will give ADB and co-financiers more flexibility and permits ADB, as appropriate, to consider the usage of other co-financiers' requirements. This approach could allow, for example, a harmonized assessment and the disclosure of one set of project documents for purposes of stakeholder engagement.

## Strengthened Provisions for Addressing Risks to Disadvantaged or Vulnerable Groups.

ADB recognizes the importance of early and continuing stakeholder engagement that is inclusive and without discrimination against project-affected persons, including those assessed to be disadvantaged or vulnerable. ADB will require a borrower/client to implement differentiated measures so that through the implementation of such measures, adverse impacts are mitigated and do not fall disproportionately on the disadvantaged or vulnerable and that such persons can share equitably in project benefits and opportunities. To effectively implement this requirement, ADB will consider the overall project-specific circumstances and country context including the legal and regulatory framework and cultural or societal norms to the extent possible and as determined by ADB, and work with the borrower/client to understand the potential impacts and risks to determine appropriate course of action.





## Information Disclosure under the new policy.

ADB will disclose on its website documents and information relating to High, Substantial and Moderate Risk projects prior to project appraisal for sovereign operations and final credit approval for private sector operations, unless such documents and information will be prepared by a borrower/client post-ADB approval of a project, as reflected in an ESCP/ESAP. The disclosure requirements under the new policy will remain subject to ADB's Access to Information Policy (2018).

## E&S requirements applicable to financing modalities and products.

The proposed E&S Policy includes high-level principles on the application of E&S requirements for different types of financing modalities and products offered by ADB. These principles will be supplemented by detailed requirements included in a separate document, which will be considered and approved by ADB Management upon consideration of the ESF by the ADB Board of Directors. The high-level E&S screening, assessment and management approaches set out in the E&S Policy are also intended to help guide future financing modalities and products that may be developed post approval of ESF. The financing modalities and products covered includes sector lending, emergency assistance loans, multitranches financing facility, policy-based lending, sector development programs, results-based lending, project readiness financing, small expenditure financing facility, technical assistance, financial intermediaries, and corporate finance.





# What are the 10 Environmental and Social Standards?

## 10 ENVIRONMENTAL AND SOCIAL STANDARDS (ESSS)

The 10 ESSs establish mandatory performance standards that borrower/clients are required to meet throughout the project cycle. A separate information brochure has been prepared for each standard to elaborate on the details.

1



Assessment and Management  
of Environmental and Social  
Risks and Impacts

2



Labor and  
Working  
Conditions

3



Resource  
Conservation and  
Pollution Prevention

4



Health, Safety  
and Security

5



Land Acquisition  
and Land Use  
Restriction

6



Biodiversity  
Conservation and  
Sustainable Natural  
Resources Management

7



Indigenous  
Peoples

8



Cultural  
Heritage

9



Climate  
Change

10



Stakeholder Engagement  
and Information  
Disclosure

# What is a Prohibited Investment Activities List and what are the changes?



## PROHIBITED INVESTMENT ACTIVITIES LIST

This is a list of activities that do not qualify for ADB's financing. The list has been updated to now include additional prohibitions from ADB's Energy Policy (2021). These prohibitions relate to coal-fired power generation and coal-fired heating plants; coal mining, processing, storage, or transportation; upstream or midstream oil projects; and natural gas exploration or drilling. In addition, financing production of, or trade in, or use of asbestos fibers is fully prohibited under the updated list. This is a change from the current SPS where the use of bonded asbestos cement sheeting with asbestos content is less than 20% was allowed. This prohibition does not apply to projects involving disposal of asbestos, provided a suitable asbestos management plan is adopted for such disposal.

