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ADB Safeguard Policy Review and Update: Private Sector Operations

CSO/NGO CONSULTATIONS

12th and 13th December 2022



SAFEGUARD
POLICY REVIEW
AND UPDATE

ADB

Gentle Reminders



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Please introduce yourself in the meeting chat box by typing in your
NAME, DESIGNATION, and ORGANIZATION.

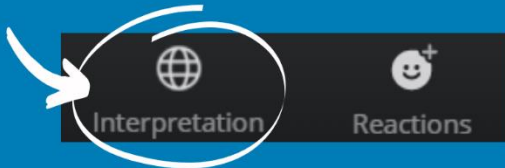
- ✓ If possible, join from a quiet, distraction-free area
- ✓ Ensure your audio and video are working
- ✓ Put your microphone on mute when you are not speaking
- ✓ Virtually raise your hand on the Zoom feature to raise a point or question
- ✓ Be respectful to other joining participants
- ✓ Be conscious of time as per the agreed agenda



HOW TO LISTEN TO INTERPRETATIONS

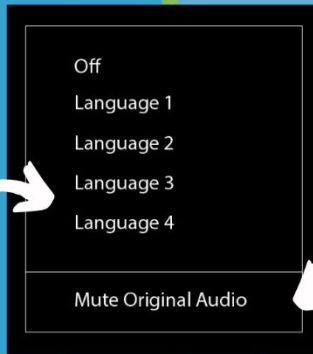
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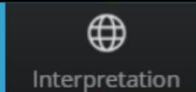


2

Select your preferred language among the list of available interpretations.



Click Mute Original Audio to mute the English audio.

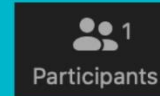


3

CHANGING YOUR NAME ON ZOOM

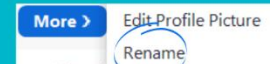
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Click on the Participants button at the bottom of your Zoom screen



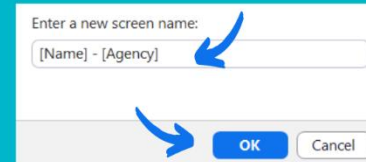
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On the right hand of your screen, look for your name. Click on the More button on the right side of your name.



3

Click on the Rename button, type in your Name and Agency, then click OK.

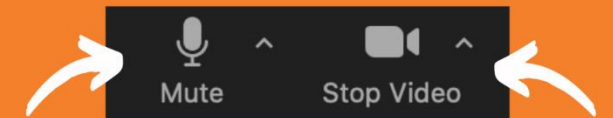
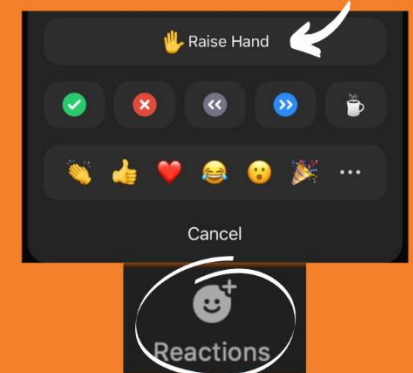


USING ZOOM BUTTONS



Send a message, question or feedback by clicking the chat button.

To comment or raise a question live in the language you prefer, click on the smile icon (Reactions button), and then click on Raise Hand.



To speak and unmute yourself, click on the microphone icon.

To show your video, click on the video icon.



Simultaneous interpretations available!

Penerjemahan Simultan tersedia!

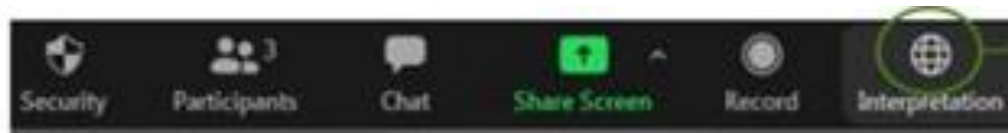
提供同声传译服务!

មានផ្តល់ការបកប្រែប្រដេញ!

ທ່ານສາມາດຮັບຟັງການແປເປັນພາສາຂອງທ່ານໄດ້!

Chúng tôi cung cấp phiên dịch đồng thời!

1



Please click on the Interpretation button at the Zoom bar on the bottom of your screen.

Silakan klik tombol Interpretation pada fitur Zoom di bagian bawah layar Anda.

请点击屏幕底部Zoom工具栏上的传译按钮.

សូមចុចលើប៊ូតុងបកប្រែសញ្ញារូបផែនដី នៅផ្នែកខាងក្រោមអេក្រង់របស់លោកអ្នក។

ກາລຸນາກົດປຸ່ມເພື່ອຮັບຟັງການແປພາສາຜ່ານລະບົບ Zoom ທີ່ຢູ່ທາງຂ້າງລຸ່ມຫນ້າຈໍຂອງທ່ານ

Đề nghị nhấp chuột vào nút phiên dịch (Interpretation) trên thanh công cụ Zoom ở phía dưới màn hình của bạn.

2

Languages available:

Bahasa yang tersedia:

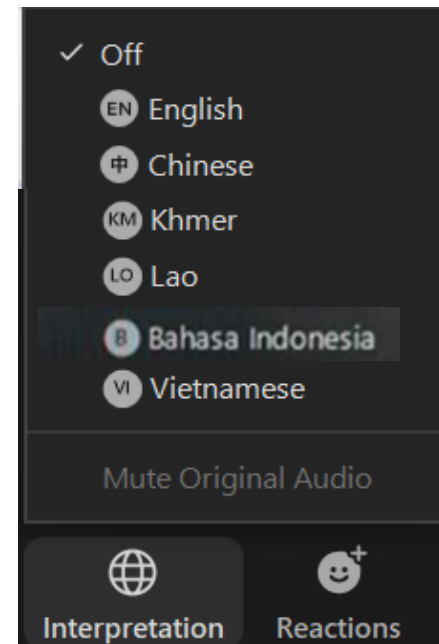
语言服务:

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ພາສາທີ່ສາມາດເລືອກຮັບຟັງໄດ້:

Ngôn ngữ sử dụng:

- **Bahasa Indonesia**
Bahasa Indonesia
- **Chinese**
中文
- **Khmer**
ខ្មែរ
- **Lao**
ພາສາລາວ
- **Vietnamese**
Tiếng Việt



Simultaneous interpretations available!

समकालीन भाषांतरण उपलब्ध है!

رواں ترجمے کے لئے دستاب زبانیں

Осуществляется синхронный перевод!

1



Please click on the Interpretation button at the Zoom bar on the bottom of your screen.

कृपया ज़ूम बार के इंटरप्रीटेशन (Interpretation) बटन पर क्लिक करें जो आपके स्क्रीन के निचले भाग में है।

اپنی سکرین کے بالکل نیچے زوم کی بار پر گلوب کی تصویر والے انٹرپریٹیشن یعنی ترجمہ کے بٹن پر کلک کریں۔

Нажмите на кнопку «Перевод» внизу экрана.

2

Languages available:

उपलब्ध भाषाएं:

دستیاب زبانیں

Выбор языка:

- **Hindi**

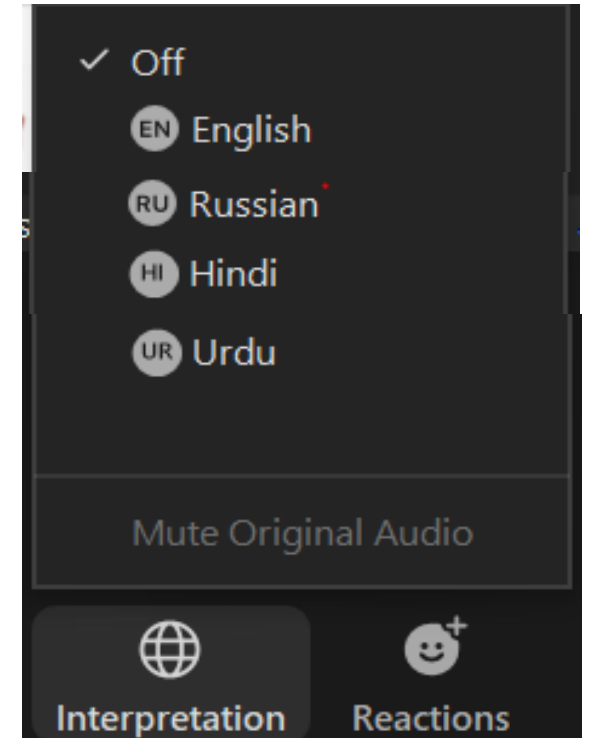
हिंदी

- **Urdu**

اردو

- **Russian**

Русский язык





The Safeguard Policy Review and Update Phase 2 consultations provide opportunities for stakeholders to express their views and opinions on ADB's environmental and social safeguards in the most meaningful and safest manner possible.

All stakeholders are encouraged to articulate their inputs and concerns during these consultation sessions. By joining these sessions (and as noted in paragraph 47 of the Stakeholder Engagement Plan) stakeholders are consenting to the video and audio recording of these consultations and their subsequent release. ADB will prepare consultation summaries and disclose them publicly. This will ensure the accuracy and transparency of proceedings.

Stakeholders wishing to exclude themselves from such recordings are asked to contact the Safeguards Policy Review and Update Secretariat at safeguardsupdate@adb.org within 2 weeks of this session to share their exceptions and exclusions.



The recordings and documentation allow the ADB to review, consider and respond to, if necessary, any comments and inputs made. Background materials on the thematic areas have been released in preparation for the consultations and dialogues.

All types of feedback are welcome. These will not be used for the purposes of retaliation, abuse, or any other kind of discrimination.

If you have any issues or concerns on the disclosure, recording, confidentiality, potential risks, abuse, or any kind of discrimination during the consultations, or wish to exclude yourself from the recording of events and discussions, please contact the Secretariat at safeguardsupdate@adb.org.

AGENDA



SAFEGUARD
POLICY REVIEW
AND UPDATE



- **Introduction** (5 mins)
Jelson Garcia, Session Moderator and Senior Stakeholder Engagement Specialist, Safeguards Division (SDSS), Sustainable Development and Climate Change Department (SDCC)
- **Welcome Remarks** (7 mins)
Bruce Dunn, Director Safeguards Division (SDSS), Sustainable Development and Climate Change Department (SDCC)
- **Session 1: Overview of Private Sector Operations under ADB SPS (2009) and IED Findings** (7 mins)
Mark Kunzer, Director, Private Sector Transaction Support Division (PSTS), Private Sector Operations Department (PSOD)
- **Session 2: Key Comparisons with other MFIs** (18 mins)
Felix Oku, Senior Social Development Specialist (Safeguards), Safeguards Division (SDSS), Sustainable Development and Climate Change Department (SDCC)
- **Screen Break** (5 mins)

AGENDA



SAFEGUARD
POLICY REVIEW
AND UPDATE



- **Session 3: Moderated Discussion** (75 mins)

Richard Sherrington, Principal Safeguards Specialist, Private Sector Transaction Support Division (PSTS), Private Sector Operations Department (PSOD)

- **Event Evaluation** (5 mins)

- **Wrap up and Synthesis** (5 mins)

Bruce Dunn, Director, Safeguards Division (SDSS), Sustainable Development and Climate Change Department (SDCC)

Welcome Remarks:

Bruce Dunn, Director, Safeguards Division (SDSS),
Sustainable Development and Climate Change Department (SDCC)



SAFEGUARD
POLICY REVIEW
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ADB

Safeguards Policy Review and Update

Approach and Methodology

Policy update time frame: August 2020 to October 2023

Implementation phases:

1. **Policy update planning** (August 2020–June 2021):
 - [Background Information Paper](#) (November 2020).
 - [Stakeholder Engagement Plan](#) (April 2021, updated July 2021)
2. **Analytical Studies** (December 2020–December 2022):
 - Policy architecture, benchmarking standards / thematic issues
 - Review implementation experience
3. **Policy preparation** (April 2022–October 2023):
 - Working Paper for ADB Board consideration (March 2023)
 - Final ADB Board approval of R-Paper (October 2023)
4. **Policy roll out** (2023–2024):
 - Policy effectiveness from 2024 (date to be confirmed)
 - Implementation guidance, staff instructions, good practice notes,
 - Training and capacity building for staff and clients



**Stakeholder
Engagement &
Consultation**



Analytical Studies and Regional Consultations Topics

Completed Consultations: Nov. 2021- June 2022

1. Policy Architecture
2. Indigenous Peoples
3. Resource Efficiency and Pollution Prevention
4. Labor and Working Conditions
5. Community and Occupational Health and Safety
6. Land Acquisition and Involuntary Resettlement
7. Biodiversity and Sustainable Natural Resource Management
8. Cultural Heritage
9. Stakeholder Engagement, Information Disclosure, and Grievance Redress Mechanisms
10. Lessons from Accountability Mechanism
11. Environmental and Social Impacts and Risk Assessment
12. Safeguards in Fragile and Conflict-Affected Situations (FCAS) & Small Island Developing States (SIDS)
13. Country Safeguard Systems (CSS)
14. Focus Group Discussions with Private Sector Clients
15. Climate Change
16. Gender and Safeguards
17. Sexual Exploitation, Abuse and Harassment (SEAH)
18. Sexual Orientation and Gender Identity and Expression, and Sex Characteristics (SOGIESC)



[Scan to view Analytical Studies](#)

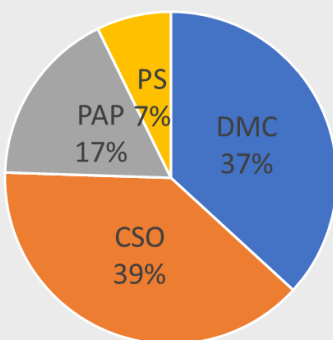
Planned Consultations

1. Safeguards in Different Financing Modalities and Private Sector

STAKEHOLDER PARTICIPATION:
DIVERSITY & INCLUSION

2,839

Stakeholders consulted in Regional, In-country, and Project-affected people consultations and private sector FGDs



REGIONAL CONSULTATIONS

55 of 68 DMCs represented

participants from 9 other countries outside the ADB network

56 Private sector client companies joined FGDs



51% MALE 49% FEMALE



IN-COUNTRY CONSULTATIONS

Completed (2022)	
1.	Tonga
2.	Papua New Guinea
3.	Mongolia
4.	People's Republic of China
5.	Pakistan
6.	Republic of Marshall Islands
7.	Philippines
8.	India
9.	Indonesia
Planned (2023)	
1.	Georgia

PAP CONSULTATIONS

7 Projects (5 sovereign, 2 non-sovereign)
36 FGDs
61 household interviews

ACCESSIBILITY
& QUALITY OF
INFORMATION*

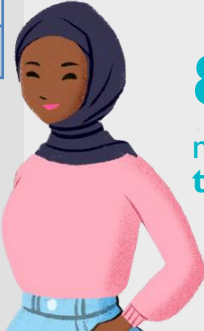
All 18 consultations have had the PowerPoint slides and summary papers disclosed and translated into 4 languages prior to the consultation event



Consultations simultaneously interpreted in 9 languages

94% reported that presentations & other materials provided were sufficient and understandable

83% reported that they received materials with sufficient time to review



RESPONSIVENESS &
TRANSPARENCY*

87%

of participants reported that they were either very satisfied or satisfied with the overall quality of sessions



92% said their questions were satisfactorily answered by ADB

95%

felt safe and secure to voice their insights and to ask questions

91%

of participants were satisfied with the online platform used for consultations

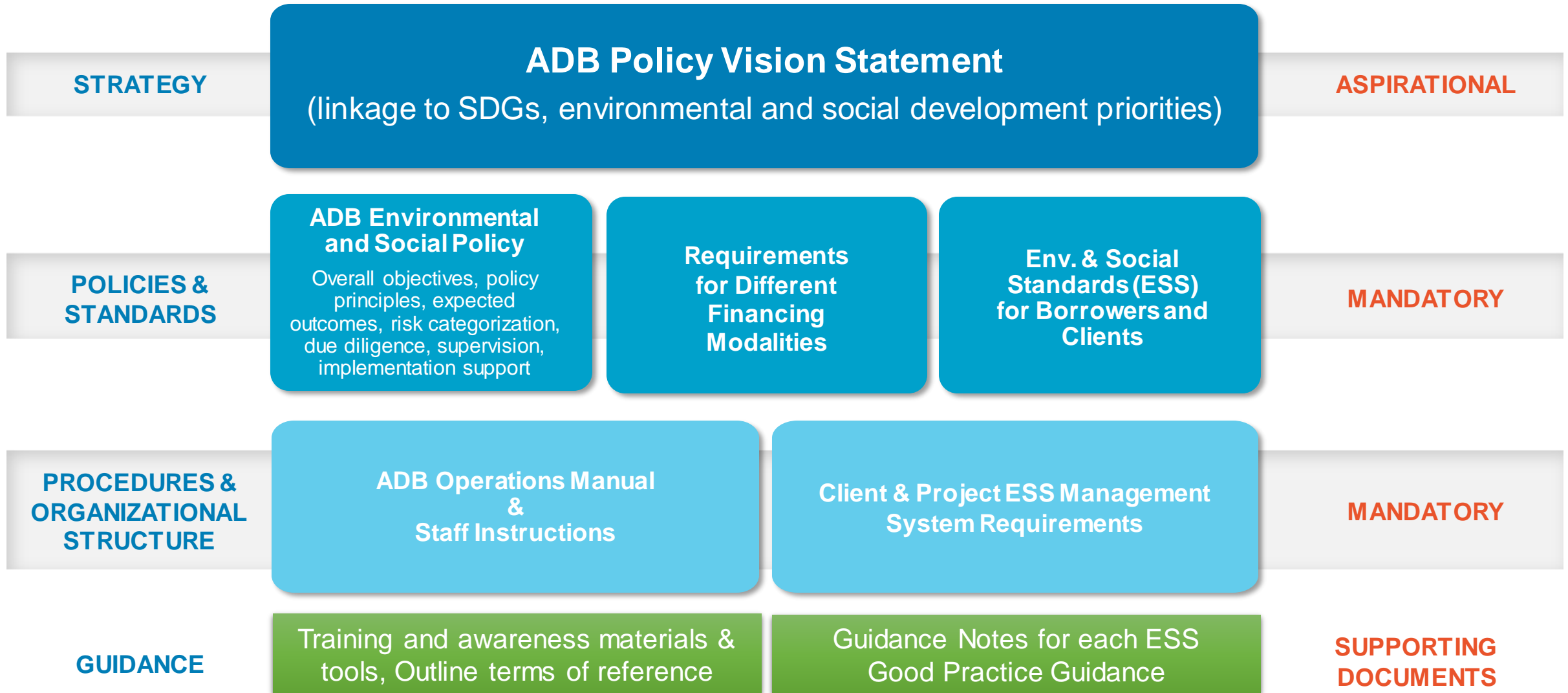


Post-event survey respondents (N=250)

Acronyms: CSOs = civil society organizations; DMCs = developing member countries, PS = Private Sector; PAP = project-affected persons
* Data from Regional Consultations and Private Sector FGDs

ADBs Proposed Policy Architecture Model

Environmental and Social Policy



Session I: Overview of Private Sector Operations under ADB SPS (2009)

Mark Kunzer, Director, Private Sector Transaction Support Division (PSTS),
Private Sector Operations Department (PSOD)



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ADB Safeguards Policy Statement, 2009 (SPS): Overview

Scope and Architecture

- **Approved July 2009**, effective March 2010.
- **Scope:** Three main policy areas: Environment (ENV), Involuntary Resettlement (IR) , and Indigenous Peoples (IP)
- **Architecture:**
 - Three overall policy objectives. Three sets of policy principles.
 - Safeguard requirements (SRs) for each of the three policy areas (Appendices 1–3)
 - Requirements for different finance modalities – e.g., sector loans, emergency assistance, policy-based lending, financial intermediaries, corporate finance (Appendix 4)
 - Prohibited Investment Activities List (Appendix 5)
 - Strengthening and Use of Country Safeguard Systems (Appendix 6)

Three Policy Objectives

1 **Avoid** adverse impacts of projects on the environment and affected people, where possible;

2 **Minimize, mitigate, and/or compensate** for adverse project impacts on the environment and affected people when avoidance is not possible

3 **Help borrowers/clients** to strengthen their **safeguard systems** and develop the **capacity** to manage environmental and social risks.

SPS (2009) Requirements Applicable to Private Sector Operations Financing Instruments



1. Project Finance: SPS SR1 on Environment, SR2 IR, SR3 IP (if triggered)

- If existing facilities are involved, **SR4 Special Requirements for Different Financing Modalities applies**. This requires an **environmental and social compliance audit (ESCA)**.
- For an upgrade or expansion of existing facilities, SR 1-3 requirements will apply in addition to ESCA. 120 day disclosure requirement apply to ESCA and CAP (if any) for ENV Cat A. Disclose other safeguard documents as per SR 1-3.

2. Loans, Equity Investments to Financial Intermediaries (FI) (banks, non-banks, PEFs) SR4 para13-16

- **All FIs** will be required to establish an appropriate ESMS
- **FI Subprojects with significant environmental or social impacts** - follow ADB's SR 1–3.
- **FIs with minimal or no adverse social or environmental risks** treated as Cat C, need not apply requirements
- **Disclosure**: For Category A subprojects, FI to follow SR 1-3 including 120-day disclosure of EIA.

3. General Corporate Finance, Working Capital, Equity Financing (SR 4 para 17-20)

- Conduct a corporate audit of environmental and social management systems (ESMS) audit and Corrective Action Plan
- For corporate finance related to implementation of specific subprojects, SR 1-3 applies
- For investments involving existing facilities, SR4 paragraph 12 applies.

Note: Private sector financing does not involve program or sector lending, multi-tranche finance facilities and emergency loans

Independent Evaluation Department (IED)

Findings for Private Sector Operations (PSO): Strengths

- Since 2009, increase in PSO, investment in FIs (banks, nonbanks, PEFs), new financing instruments (e.g. bond issuances, trade finance, IPOs)
- PSO safeguards performance as good as or better than sovereign operations
- More co-financing operations = need for greater policy harmonisation
- Clients appreciate ADB's support in developing their corporate safeguard frameworks
- Some clients mainstreamed pollution risk management to monitor long term risks, developed functioning ESMS
- More structured approach to address core labor standards and working conditions
- Reasonably strong (80%) due diligence via FI ESMSs
- FI risk-based audit program and Corrective Action Plans introduced

Independent Evaluation Department (IED)

Findings for Private Sector Operations: Limitations

- SPS not well adapted or customized to support private sector financing
- Does not recognize differences between sovereign and private sector operations culture and practice, i.e. faster decision making, shorter processing timeframes, greater co-financing
- Managing safeguards in FI projects incomplete at both policy and delivery levels
- Lags behind other MFI policy updates
- 120 days disclosure requirement for ENV category A projects not aligned with other MFIs
- Insufficient guidance for some specific instruments (e.g. general corporate finance / corporate finance)

Independent Evaluation Department (IED)

Findings for Private Sector Operations: Overall Findings

Overall, PSO safeguard performance for project preparation, implementation, and capacity support was as good as or better than that for sovereign projects.

Project Preparation

- Across all projects reviewed, PSO safeguards performance ranked highest at 89%.
- PSO FI projects, higher preparation satisfactory rate than sovereign FI projects.
- Late engagement in projects poses challenges in addressing potential safeguard risks via project design.
- Requirement to audit government-led land acquisition too demanding, clients have no leverage.
- PSOD took initiative to address challenges re labor and working conditions in its assessments, plans.

Independent Evaluation Department (IED)

Findings for Private Sector Operations: Overall Findings

Project Implementation

- Sovereign - lower risk exposure, very few Cat A; PSO increase in Cat A projects
- PSO FI projects performed less well on safeguard management compared to other NSO projects.
- Project finance and GCF performed better than any other subset, sovereign or NSO.
- PSO performed better: monitoring and reporting, establishing GRMs; higher competence on OHS and managing long-term risks and management of pollution
- E&S Disclosure (e.g. ESMS, corporate E&S audit, FI AESPRs): PSOD had fewer documents disclosed

Strengthening Client Capacity: PSO clients consistently internalized safeguard and social management

Independent Evaluation Department (IED)

Findings for Private Sector Operations: Recommendations

- Modernize SPS, increase relevance, **customize for** both sovereign and **PSO**
- **Harmonize with other MFIs** to support the development of PS financing, where appropriate
- **Strengthen oversight** structure and processes
- Consider **shorter web disclosure requirements** in recognition of PSO faster transactional pace, competitiveness, and frequent co-financing (particularly with IFC & EBRD)
- **Improve policy guidance, good practice notes and ADB operations manual**, plus regular reviews and updates
- **Increase staff** to meet changing PSOD needs and risk determination
- **Systematic training** for staff, borrowers and clients, plus more risk-based supervision
- **FIs**: integrate technical ground support, standardize procedures and coordinate between ADB and FIs

Session 2:

Key Comparisons with other MFIs

Felix Oku, Senior Social Development Specialist (Safeguards), Safeguards Division (SDSS), Sustainable Development and Climate Change Department (SDCC)



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SPS/MFI comparison



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Safeguard Policy Characteristics and processes of Private Sector Operations at Multilateral Financial Institutions				
Factor	ADB SPS	IFC	EBRD	IDB Invest
Policy	SPS	Performance Standards	ESP	ESPF
Year of Approval	2009	2012	2014/2019	2020
Umbrella E&S Policy	Yes, but partly covers CLS	Yes	Yes	Yes
Coverage of financing modalities or instruments	Emphasis on sovereign lending, project finance. Limited guidance on FIs, GCF, other instruments	All	All	All
Policy Design	Prescriptive	Principles based	Principles based	Principles based
Process	Front loaded	Continuous	Continuous	Continuous
Assessment of E&S risks and impacts	Separate E&S assessments	Integrated PS1	Integrated PR1	Integrated ESPS1
Project Categorization	Separate for each SR	Integrated	Integrated	Integrated
Classification Scale	A/B/C/FI, Highly complex & sensitive	A/B/C/FI	A/B/C/FI	A/B/C for impacts H/S/M/L for risks

SPS/MFI comparison cont.



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Factor	ADB SPS	IFC	EBRD	IDB Invest
Stakeholder Engagement throughout project cycle	No	Yes	Yes	Yes
Instruments required for FIs	ESMS	ESMS	ESMS	ESMS
Additional requirements for FIs	No	FI-I1, FI-2, FI-3 risk classification	Yes PR9	No, but incorporate PS1 and PS2 relevant principles
Adaptive Risk Management Approach	NA	Separate implementation Risk Rating	Risk categories include client capacity & performance	Separate risk rating (ESRR)
Disclosure Requirements for Category A/1	120 days for Env. Category A only	60 days	60 days	60 days
Location of Disclosure Requirement	SPS 2009, p. 20 & Access to Information Policy	Access to Information Policy, 2012, p. 11	Access to Information Directive 2019, p. 10	Disclosure Statement OPIM April 2020, Principle 5

Issues for further consideration



- **Risk categorization and risk management**
 - Align with other MFI safeguard frameworks, consider overlaps with cross-cutting and thematic areas; provide clearer provisions on requirements for private sector operations
- **Improvement of stakeholder engagement**
 - Proportionate to the nature and scale of the project and its potential risks and impacts
 - Stakeholder identification; project grievance systems; monitoring system; stakeholder roles and responsibilities, budget and training
 - Guidelines and good practice notes for applying the revised policy and due diligence
- **Information disclosure**
 - Aligning with other MFIs for sovereign and private sector operations
 - Strengthening regular disclosure to project affected people

Issues for further consideration



- **Monitoring**
 - Clarifying ADB staff requirements for Client/Borrower monitoring
 - Strengthen ADB's safeguard oversight and resources for monitoring safeguards implementation
- **Guidance materials**
 - Updated and improved guidance, toolkits, templates and good practice notes for private sector operations, particularly for general corporate finance, corporate finance, FIs and other financing modalities

Get involved
Please send us your feedback and suggestions:

WEBSITE

<https://www.adb.org/who-we-are/about/safeguard-policy-review>

FACEBOOK PAGE

<https://www.facebook.com/ADBsafeguardreview>

E-MAIL

safeguardsupdate@adb.org



[Visit SPRU website](#)

05:00

Screen Break



Session 3: Moderated Discussion

Private Sector Operations

Richard Sherrington, Principal Safeguards Specialist, Private Sector Transaction Support Division (PSTS), Private Sector Operations Department (PSOD)



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Quick Poll



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Please rate your satisfaction with today's session:

- 5** – Highly satisfied
- 4** – Somewhat satisfied
- 3** – Neutral
- 2** - Somewhat dissatisfied
- 1** – Very dissatisfied

Quick written feedback via www.menti.com

Please Click the link on the chat box.

Wrap Up and Synthesis

Bruce Dunn, Director, Safeguards Division (SDSS),
Sustainable Development and Climate Change Department (SDCC)



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safeguardsupdate@adb.org



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Thank You

