



# Overview of ESF and ESP

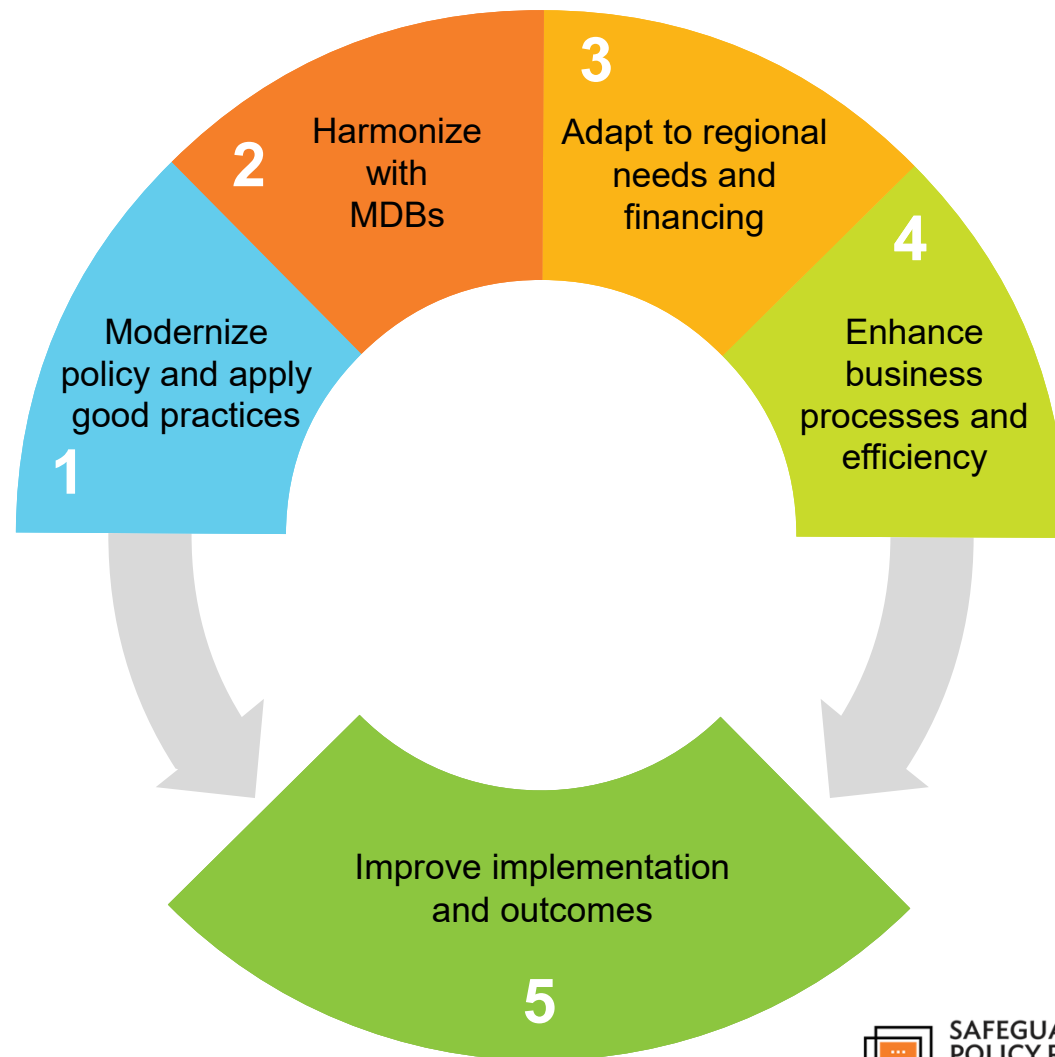
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# Objectives of Safeguard Policy Review and Update



# High Level Summary of Stakeholder Feedback

## DMCs

- Recognize the importance of safeguards.
- Still some implementation challenges with the SPS
- Avoid unnecessary transaction costs
- Support closer alignment with country safeguard systems (CSS)
- Greater consistency between MFI policies and procedures would reduce transaction costs
- Need improved guidance & enhanced capacity support from early stages for country and project

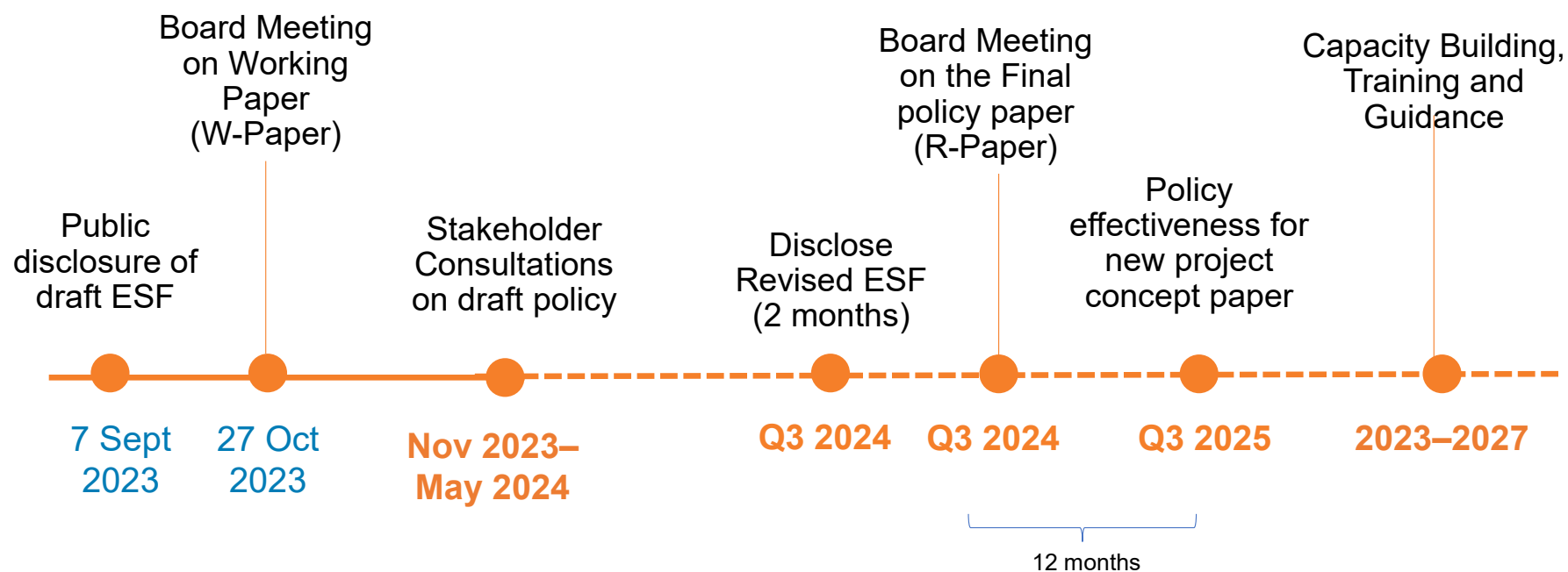
## CSOs

- Don't weaken / water down safeguards
- Concerns on gaps and potential use of CSS
- Enhance stakeholder engagement and disclosure.
- Ensure safe space and address risks of retaliation.
- Concerns on safeguards for financial intermediaries
- Enhance focus on climate change, biodiversity, gender, vulnerable groups, sexual orientation and gender identity, labor issues, Indigenous People
- Include human rights due diligence

## Private sector

- Convergence with International Finance Corporation (IFC) Performance Standards and Equator Principles.
- Closer alignment with CSS and national requirements
- **Align disclosure requirements with IFC and other multilateral financing institutions (MFIs) (e.g., reduce 120-day disclosure for EIAs to 60 days)**
- Greater clarity & guidance on requirements; provide technical support during preparation and implementation

## Preparation Schedule



# Overview of the ESF



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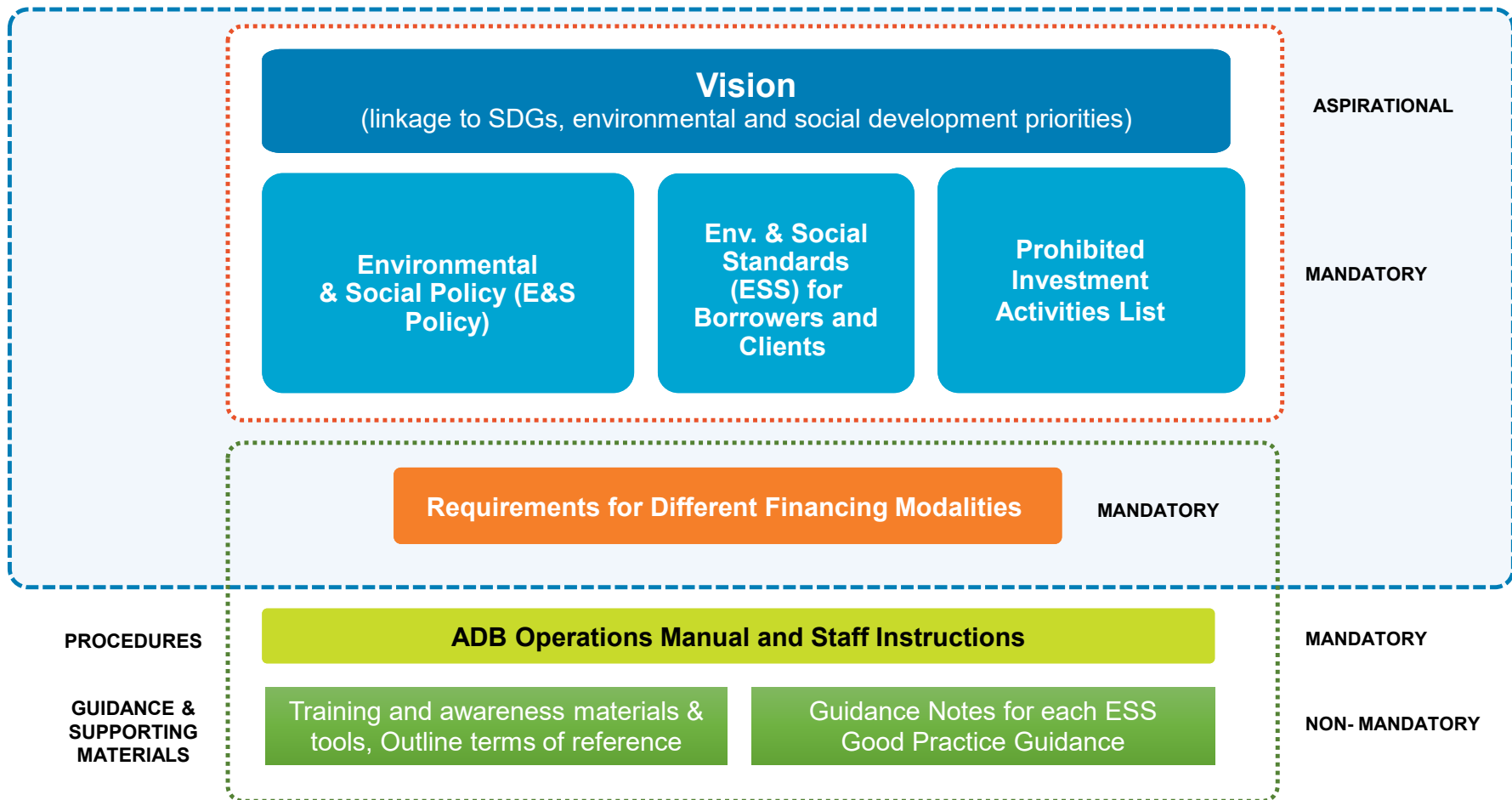


# Proposed Policy Architecture

## Environmental and Social Framework



Environmental and Social Framework



INTERNAL. This information is accessible to ADB Management and staff. It may be shared outside ADB with appropriate permission.

# Environmental and Social Policy Standards (ESS)

10 proposed standards build off the current requirements of the Safeguard Policy Statement (SPS)

ADB

1



Assessment & Management of Environment 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 and Sustainable Natural Resources Management

7



Indigenous Peoples

8



Cultural Heritage

9



Climate Change

10



Stakeholder Engagement and Information Disclosure



# Overview of the Environmental and Social Policy (ESP) ADB Responsibilities



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# Environment and Social Policy (E&S Policy)

## ADB's Responsibilities

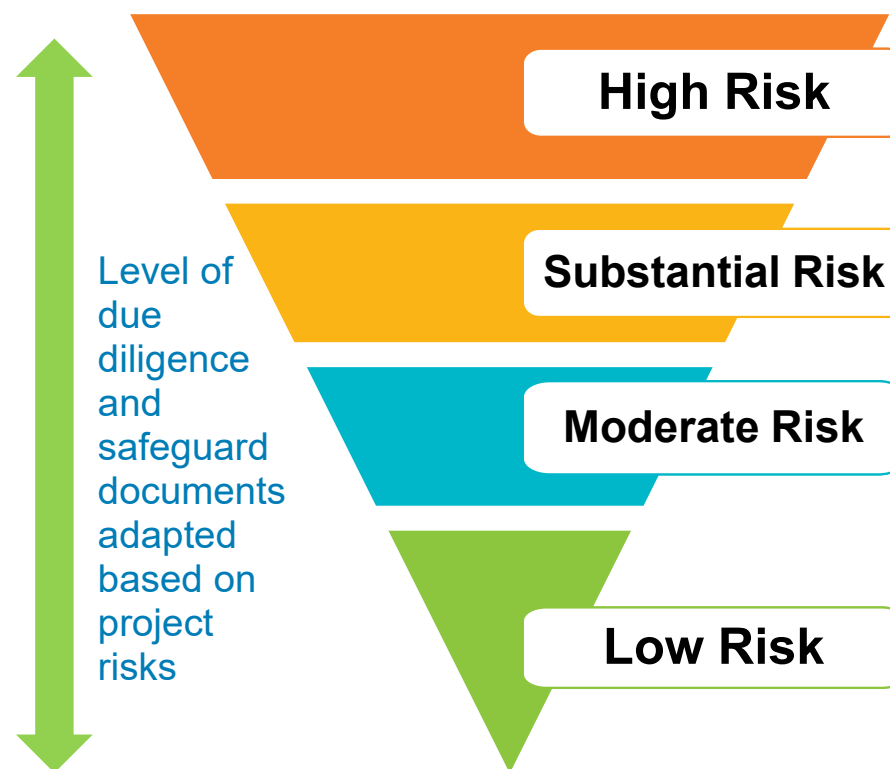
The E&S Policy sets out: (i) policy objectives; (ii) scope; and (iii) ADB responsibilities, including:

1. Preparing **environmental and social (E&S) risk classification** in consultation with borrowers/clients
2. Reviewing of **E&S assessments** undertaken by a borrower/client, proportionate to the nature and scale of risks
3. Assisting borrowers/clients in identifying **assessment and management tools** appropriate to the E&S risks
4. Supporting borrowers/clients with **strengthening of their E&S systems and performance**
5. Agreeing with borrowers/clients on the **conditions** under which ADB will consider financing a project, which will be set out in an Environmental and Social Commitment Plan and/or Environmental and Social Action Plan (ESCP/ESAP)
6. Supporting borrowers/clients to carry out **early and continuing meaningful consultation** with relevant stakeholders and provide project-level grievance mechanisms, consistent with the Environmental and Social Standards (ESSs)
7. Reviewing and **monitoring the E&S performance** of a project throughout a project life cycle in accordance with the ESSs and the ESCP/ESAP

# Environment and Social Policy

## A New Approach to Risk Classification

- » **Risk screening determines standards triggered,** risks to focus on, and resource needs. Not all standards may be triggered by a project
- » **Integrated environmental and social risk screening and classification:**
  - **Direct, indirect and cumulative** impacts
  - **Inherent** risk factors in different sectors
  - **Vulnerability and sensitivity** of people and environment
- » Also considers other risks (New)
  - **Contextual risk factors**
  - **Performance / capacity related risk**
- » There will be one risk classification assigned to a project (no longer a separate classification for ENV, IR and IP)
- » Safeguard documents will present the basis for risk classification, including risks related to individual standards

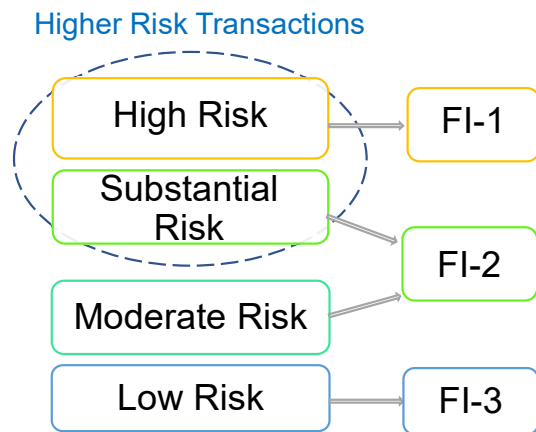


**Simplified comparison to SPS categorization**  
Cat A (=High); Cat B (=Substantial or Moderate); Cat C (= Low)

# Safeguards Application Across Financing Modalities

## Risk Classification of Financial Intermediaries

All transactions involving FIs are classified as “FI” with the following sub-classification based on the E&S risk profile of the proposed portfolio of transactions supported with ADB’s financing:



**FI-1:** financial exposure to business activities with potential significant adverse E&S risks and impacts that are diverse, irreversible, or unprecedented

**FI-2:** potential limited adverse E&S risks and impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented

**FI-3:** financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts

**Higher Risk Transactions-** For FIs with portfolio and/or proposed activities and transactions that present high to substantial E&S risks (part or all of FI-1 and FI-2 portfolio). These transactions supported by ADB financing will apply the ESSs

# Safeguards Application Across Financing Modalities

## New Provisions and Improved Requirements



### Financial Intermediaries (FI)

#### ADB's responsibilities:

- Undertake due diligence, determine the E&S risk classification, review and provide guidance on the need and adequacy of an ESMS to be used by an FI
- Review and disclose relevant FI information (e.g., summary of ESMS, monitoring reports, relevant assessment and management tools)
- ADB will review all *higher risk transactions* financed by ADB

#### FI requirements:

- Require FI-1 and FI-2 to develop an EMS, proportionate to the nature and scale of the E&S risks and impacts associated with activities and transactions supported by ADB financing. For FI-3, E&S screening procedures need to confirm minimal or no adverse E&S risks or impacts
- **Higher risk transactions:** refer all such transactions financed for ADB's review, clearance and disclosure; monitoring reports will contain details of each activity and transaction supported by ADB financing
- Require stakeholder engagement and grievance mechanism, and provide safe and healthy working environment for workers

Note: ESMS = environmental and social management system

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# Thank you!

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