

September 6, 2012

Dr. Jim Yong Kim
President
The World Bank
1818 H Street, NW
Washington, DC 20433

Re: World Bank Policy Revisions

Dear Dr. Kim:

We, the undersigned organizations, welcome you to your new role as leader of one of the world's most influential development finance organizations. We are hopeful your background and professional experience will add new perspective and energy to the World Bank Group, bringing a renewed focus to eradicating poverty and ensuring sustainable development.

We stress the importance of the World Bank Group's work being transparent, ensuring the protection of rights of indigenous peoples and other local communities, adhering to the highest due diligence standards for development assistance, and guaranteeing the sustainable use and protection of natural resources and ecosystems.

To realize this commitment, the World Bank Group has constructed over many years crucial social, environmental, transparency, and procedural standards that apply to its activities. These were developed through multi-stakeholder processes involving Bank agencies, governments, civil society organizations and affected communities. As you know, these standards have become an important, while imperfect, benchmark for sustainable finance for other international financial institutions, governments, and companies.

A consistent and robust application of these standards to all World Bank Group lending activities is paramount for transparency, equity, and improved social and environmental outcomes. At the same time, it is essential that the World Bank's social and environmental standards are periodically reviewed and upgraded to ensure their consistency with international standards and the legal obligations of lender and borrower countries under environmental and human rights treaties ratified by these countries.

Recent developments, however, appear to be undermining the positive evolution of the World Bank Group's sustainability framework, and have the potential to impair the legitimacy of the institution.

The Bank's current Investment Lending Reform (ILR) initiative proposes to eliminate or reduce critical requirements related to Bank supervision, appraisal and cost-benefit analysis. These requirements are central to efforts to address social and environmental issues related to Bank activities, yet face amendment by way of an unacceptably non-transparent and weak consultation process. The investment lending reform process is moving forward despite the fact that a more robust process to review the Bank's environmental and social standards - the so-called 'safeguard policies' - is about to begin. We strongly believe current proposed changes to investment lending

policies have the potential to reduce accountability at the Bank, and should be considered during the review of safeguards and a more robust consultation process.

Other initiatives that have raised concerns about transparency, environmental, and social standards include the Program-for-Results lending approach, increased lending through financial intermediaries, IFC's Asset Management Company, and the joint Bank-IFC public private partnership (PPP) reform effort. These developments suggest a systematic dilution of the Bank's social, environmental, and transparency standards, and most have been undertaken through non-transparent and non-participatory processes.

We note that during the Asian Development Bank's (ADB) multi-year safeguard review process, the ADB's President repeatedly committed, in public, to ensuring "there will be no dilution of our standards protecting the environment and the people affected by ADB projects" as a result of the Bank's safeguard review.¹ We urge you to make a similar commitment.

Additional recommendations for the World Bank Group include the following:

1. Undertake systematic, transparent and informed consultations when revising World Bank Group policies, in recognition of the World Bank Group's stated commitment to civic participation;
2. Ensure that all key investment policy issues related to implementation of environmental and social standards, including, for example, project supervision, appraisal, and economic evaluation, are addressed through a robust safeguard review process;
3. Ensure that current trends at the Bank Group to lend through programs, intermediaries, and pooled funds provide, for activities on the ground, at least the same level of public transparency and attention to social and environmental concerns as lending directly to borrowers and clients.

We request a meeting with you as soon as possible to discuss these issues and how the World Bank Group is planning to consult on policy change during your tenure. We believe a more open, systematic and informed discussion with the World Bank Group about its environmental, social, and transparency standards and their consistent application to all World Bank Group activities is necessary and critically important for securing the poverty eradication mission of the organization.

We look forward to hearing from you.

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ⁱ ADB President Kuroda, ADB – Crisis and Beyond: Shaping Asia’s New Development Paradigm, Speech before ADB Board of Governors, 2009.