

Minimum Safeguards in the EU Taxonomy and the World Bank Environmental and Social Framework

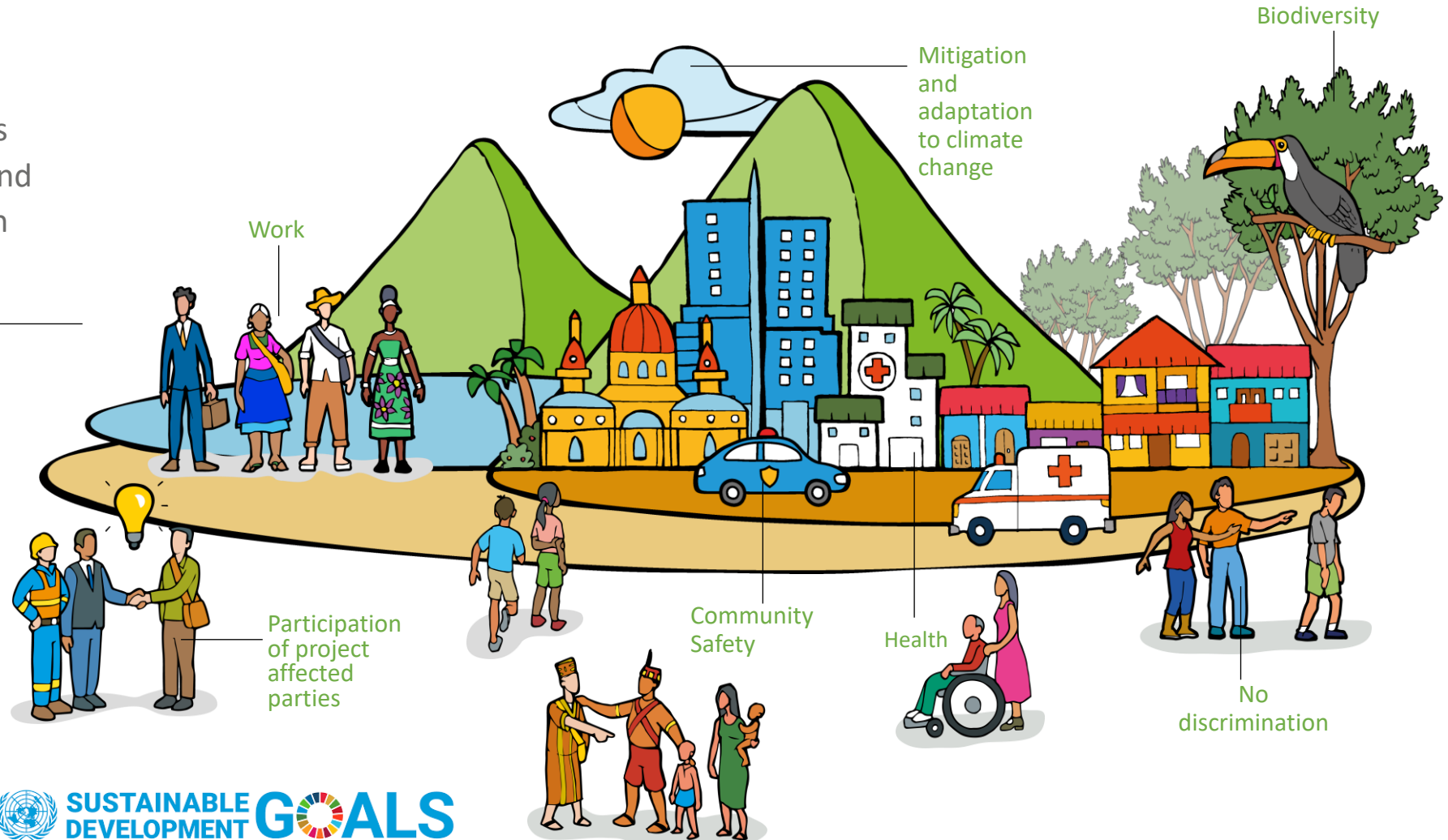


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World Bank Environmental and Social Framework (ESF)

It enables borrowers to better manage project risks, as well as improve their environmental and social performance, in line with international best practices.

The **ESF** applies to all **investment projects** financed by the World Bank as of 2018.



The ESF is compatible with the



What are the 10 ESSs?

1



Assessment and Management
of Environmental and Social
Risks and Impacts

2



Labor and
Working
Conditions

3



Resource Efficiency and
Pollution Prevention and
Management

4



Community
Health and
Safety

5



Land Acquisition,
Restrictions on Land Use
and Involuntary
Resettlement

6



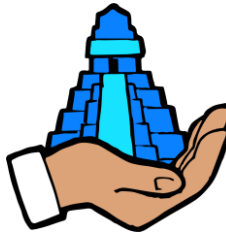
Biodiversity Conservation
and Sustainable
Management of Living
Natural Resources

7



Indigenous Peoples/
Historically Underserved
Traditional Local
Communities

8



Cultural
Heritage

9



Financial
Intermediaries

10



Stakeholder
Engagement and
Information
Disclosure

Minimum Safeguards and the ESF

Assessment and Management of Social Risks and Impacts

EU Taxonomy (Minimal Safeguards):

- Requires companies to **align with international human rights standards** (UNGPs, OECD Guidelines), emphasizing risk-based due diligence to avoid harm to society.
- Focuses on **identifying, preventing, and mitigating social risks** that may result from business activities.

World Bank ESF (ESS1: Assessment and Management of Environmental and Social Risks and Impacts):

- Mandates a **thorough assessment and ongoing management** of environmental and social risks throughout project lifecycles.
- Borrowers must prepare **risk management instruments** and adopt measures based on a **mitigation hierarchy**.

Minimum Safeguards and the ESF

Vulnerable groups and individuals

EU Taxonomy (Minimal Safeguards):

- Aligns with the OECD Guidelines, which emphasize **protecting vulnerable individuals and communities**, including respecting their rights and ensuring fair treatment.
- Focuses on **preventing adverse impacts on vulnerable groups** through corporate responsibility mechanisms.

World Bank ESF (ESS1):

- The ESF emphasizes specific assessment of risks for **vulnerable groups**, including women, children, and displaced communities, and ensuring their **inclusion in decision-making**.

Minimum Safeguards and the ESF

Labor and Working Conditions



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EU Taxonomy (Minimal Safeguards):

- Adheres to the **Core ILO Conventions**, including the prohibition of forced and child labor, non-discrimination, and the right to collective bargaining.
- OECD Guidelines promote **safe working conditions, fair treatment, and respect for workers' rights** across **supply chains**.

World Bank ESF (ESS2: Labor and Working Conditions):

- ESS2 requires safe and equitable working conditions, fair treatment, **in a manner aligned with core ILO conventions**.
- Emphasizes workers' **rights to organize, access grievance mechanisms**, and ensures protection from harmful labor practices like **forced labor and child labor**.

Minimum Safeguards and the ESF

Stakeholder Engagement

EU Taxonomy (Minimal Safeguards):

- **Encourages stakeholder engagement**, particularly with those affected by business operations, based on the OECD Guidelines.
- **Emphasizes transparency and meaningful consultation** with stakeholders, including communities, workers, and civil society.

World Bank ESF (ESS10: Stakeholder Engagement and Information Disclosure):

- **Requires ongoing stakeholder engagement** throughout the project lifecycle, starting from the early stages of project design.
- **Mandates information disclosure and the establishment of grievance mechanisms** to address concerns from affected stakeholders.

Are the national frameworks consistent?

Lessons learnt from Romania

- **Partial Convergence:** Romania has incorporated many elements of the EU Directives into its national legislation, there are gaps related to social impact assessment.
- **Institutional capacities to implement the laws and regulations have not kept pace with the increasing needs and complexity of environmental and social risk management.** Institutional constraints are often associated with labor shortages in critical departments, lack of specialists and experts and their retention.
- **In the context of labor management, the current legal framework and system for law enforcement and oversight have not been fully calibrated to the increasing reliance on foreign workers.** There are significant gaps in the regulatory provisions on the management of hiring agencies and recruitment practices of foreign labor, grievance management, and inclusive work environments.



Managing Social Standards in an EU Country

How is Romania doing?

- **Focus on understanding** the convergence of WB's ESF and national system
- **Assessing the E&S** impact of a project primarily relies on the Environmental Impact Assessment framework (aligned with EU directive). Other laws and regulations can complement the process but create fragmentation.
- **The missing social aspects** in the EIA: while elements to include social assessments are present, there are very limited guidelines in defining what social impact is. No expertise takes part in developing or assessing social dimension of the EIA.
- **Limited Scope** of Social Assessments: reviewing EIAs for various sectors revealed social impacts are vaguely defined, often limited to demographic and health data, lacking connection to Project.
- **Site-specific** social assessments are not required. Limited guidance on risk assessment and mitigation.



How are Projects integrating the socially marginalized?

- **Limited Attention to Vulnerable Groups:** The legal framework lacks provisions to prevent adverse impacts on disadvantaged or vulnerable groups and does not address social exclusion in project development.
- **Migrant Workers** are likely to be more vulnerable: Romanian legislation lacks comprehensive measures for migrant workers, including information in their language, cultural adaptation or measures to protect them from abuse. Institutional protections are incipient and mostly focused on refugees.

Is development transparent and engaging?

- **Continuous and meaningful engagement** is mostly limited, including stakeholder identification, analysis, and consultation.
- **Existing mechanisms lack ongoing engagement** and feedback throughout the project lifecycle and often rely on one-way dissemination of Projects.
- The **under-resourced environmental information system** hinders timely access to information, affecting monitoring, enforcement, and accessibility for vulnerable groups. Challenges exist in disclosure, access to information, and public participation.