FROM: The President

January 14, 2011

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Extension of Authority for OP 4.00

Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects

1. I submit for your approval, on an absence of objection basis, a recommendation for extending the authority to implement OP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguards in Bank-supported Projects*.

2. Bank support for pilot projects and activities under OP 4.00 was initially approved by the Board on March 18, 2005. The objective of the pilot program was to improve understanding of implementation issues related to the greater use of country systems for environmental and social safeguards. Following an interim review, on January 31, 2008, the Board agreed to incrementally scale up the pilot program from the specific project level to the subnational and country levels. The expanded approach was intended to achieve economies of scale by engaging a wider range of borrowers and other development partners, and to apply a greater range of safeguards and build borrower capacity on a more sustainable basis than is feasible at the project level. An interim report on the scaled-up approach was submitted to the Board in July 2009, and the pilot program was broadly reviewed in the IEG report, *Safeguards and Sustainability Policies in a Changing World: An Independent Evaluation of the World Bank Group Experience*.

3. The paper *Strengthening Country Systems and Expanding their Use in Bank-supported Operations: Update Report*, discussed at an informal Board meeting on January 13, 2011, reports on experience in implementing OP 4.00. It includes, in Section III (“Environmental and Social Safeguards”) and the related Annex B, a detailed update on the status of Bank policies, programs, and activities relating to the use of country systems for environmental and social safeguards. The paper also notes that, drawing on the lessons from the pilot program and the outcomes of the forthcoming global practice review of safeguards policies, Management will

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assess the feasibility of mainstreaming the pilot program under a revised version of OP 4.00 in which the use of country systems increasingly becomes the default approach, where appropriate, as envisaged in the Accra Agenda for Action. To achieve this objective, Management will need to consider how OP/BP 4.00 may be reconfigured to make it more conducive to assessing country and/or borrower systems as they exist and evolve, while at the same time ensuring consistency with the objectives and operational principles of the Bank’s safeguard policies, as they also continue to evolve.

4. **Recommendation.** To ensure that lessons in the application of country environmental and social safeguards continue to be captured and that they can inform a revision of OP 4.00, it is proposed that the authority to implement the existing OP 4.00 be extended to the end of the calendar year 2012, or until the Bank’s forthcoming consolidation and update of the safeguards policies is complete and a new regime to govern the use of country systems for environmental and social safeguards is approved by the Board and in place—whichever is sooner.

5. I recommend that the Executive Directors approve, on an absence of objection basis, the recommendation set forth in paragraph 4 above.

Robert B. Zoellick  
President

by Sri Mulyani Indrawati  
Managing Director