

**Congress of the United States**  
**House of Representatives**  
Washington, D.C. 20515

June 24, 2016

The Honorable Jacob J. Lew  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Lew,

We write to express our appreciation for the energy and thoughtfulness with which the Department of Treasury has engaged on the issue of the World Bank's effort to update its social and environmental safeguard policies. We also write to express our strong concern in one particular area, and while this is our most pressing concern, we do not mean to suggest that this is the only area that we think needs attention before the revised environmental and social safeguard framework is adopted.

Specifically, with respect to the Environmental and Social Standard, ESS2, on Labor and Working Conditions, we are concerned that some of the improvements that took place between the first and second drafts of the World Bank's revised safeguards policy, respectively dated July 2014 and July 2015, may be rolled back in the third draft, which has not yet been made public.

The improvements made in the second draft included extension of coverage to contracted workers; measures to guard against problems of child labor, forced labor and dangerous working conditions in the supply chain; and improved language to protect workers' freedom of association.

We understand that some of these provisions may be substantially diluted in the third draft. For example, the borrower who is informed of the existence of child labor, forced labor or dangerous working conditions in the supply chain may have no serious

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obligation to shift to other suppliers if attempts to remedy the problems with the suppliers are not successful.

With regard to freedom of association and right to collective bargaining, countries would only have to comply with these rights in World Bank projects to the extent required by national law, a proviso that would not apply to the other fundamental workers' rights. These rights are defined in the International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work (1998), to which all ILO member countries are required to adhere. The other fundamental rights pertain to prohibition of child labor and forced labor and non-discrimination.

Related to these weaknesses is the absence of any reference to ILO standards in ESS2 or elsewhere in the draft policy. The lack of such a reference represents a break from the policies of the other multilateral development banks (MDBs) that have adopted a labor safeguard, notably the World Bank's International Finance Corporation, the European Bank for Reconstruction and Development, and the African Development Bank. All of these explicitly enumerate the eight ILO fundamental rights conventions or refer to the ILO Core Labor Standards.

We are concerned that, by omitting all reference to the recognized international standard-setting body on labor, the ILO, the World Bank would create an unwelcome precedent and weaken a well-established practice dating back more than a decade among other MDBs that have adopted a labor safeguard.

The World Bank should be the leader in adopting, upholding and implementing the highest international environmental and social standards in the activities that it finances, not undermine those adopted by other MDBs. By adopting and applying high standards, the Bank would contribute to sustainable development and avoid harmful and costly impacts. Weak standards or uneven implementation not only cause important social and environmental damages, but they also have sometimes led to significant reputational loss for the Bank and projects that have had to be significantly altered or even cancelled.

We urge the World Bank to ensure that the new environmental and social safeguards policy it will adopt in the coming months meets the highest international standards.

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If the Bank falls significantly short in this regard, we will be extremely disappointed, and we fear it may lead to a situation in Congress where it will become increasingly difficult to garner the votes necessary to continue robust U.S. support for the World Bank.



Maxine Waters  
Ranking Member  
House Financial Services Committee



Gwen Moore  
Ranking Member  
House Financial Services Subcommittee on  
Monetary Policy and Trade

cc: Dr. Jim Yong Kim, World Bank President