OED Review of the Bank's Performance on the Environment

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Sector and Thematic Evaluation Group
Operations Evaluation Department

Document of the World Bank

Abbreviations and Acronyms

BP	Business Procedure
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CEO	Chief Executive Officer
CZM	Coastal Zone Management
DFID	Department for International Development (United Kingdom)
EA	Environmental Assessment
EKC	Environmental Kuznets Curves
ENVIS	Environmental Information System
ESSD	Environmental and Social Sustainable Development Vice Presidency
ESW	Economic and Sector Work
FY	Fiscal Year
GDP	Gross Development Product
GEF	Global Environmental Facility
HIPC	Highly Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IDA	International Development Association
IUCN	International Union for the Conservation of Nature
NEAP	National Environmental Action Plan
NGO	Non-governmental Organization
OD	Operational Directive
ODS	Ozone Depleting Substance
OED	Operations Evaluation Department
OPN	Operational Policy Note
OPS	Operations Policy and Strategy Department
PRSP	Poverty Reduction Strategy Paper
MD	Managing Director
QAG	Quality Assurance Group
RVP	Regional Vice President
RED	Regional Environment Division
UNCED	United Nations Conference on Environment and Development
USAID	United States Agency for International Development
WDR	World Development Report
WRI	World Resources Institute
WWF	World Wildlife Fund

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MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: OED Review of the Bank's Performance on the Environment

The Bank has made substantial improvement in its environmental performance since 1987. It has focused on the environment as a new area of activity, and it has sought to mitigate the negative effects of its development interventions. The Bank's participation in the 1992 United Nations Conference on Environment and Development and the World Development Report on the Environment demonstrated the Bank's engagement and helped launch many environmental activities. These efforts produced commendable results and promoted awareness in developing country governments of the linkages between the environment and development. The World Bank helped many governments create environmental ministries and introduce environmental assessment regulations.

To be sure, these achievements fell short of the expectations of many of its stakeholders. The momentum of the early 1990s dissipated in the face of constraints faced in the operating environment. Internally, environmental sustainability was not adequately integrated into the Bank's core objectives and country assistance strategies. Intellectually, the linkages between macroeconomic policy, poverty alleviation, and environmental sustainability were not explicitly forged. In sum, the institution's environmental efforts have not been consistent nor have they been held to uniform quality standards. Yet, staff have carried out many worthwhile activities related to the environment.

These shortfalls are in part rooted in fundamental differences of views among member countries about the Bank's role. Many borrowers are reluctant to borrow for environmental projects and/or to implement Bank environmental policies, which they perceive as costly and rigid. Many non-governmental organizations remain critical of Bank performance. Some advocate policies which are not consistent with the growth prerequisites of poverty reduction. There was also a lack of consistent management commitment to the environment coupled with a lack of clear responsibilities and accountability from senior managers to task managers. The Bank has not supported the environment as a central theme in terms of staff incentives or resource allocations.

This OED report finds that the Bank has made progress on the environment, and notes that its commitments were not accompanied by precise goals and performance monitoring. It advances explanations of why things have turned out this way. It offers recommendations which focus on how to restore the environment to its proper role in the Bank's holistic, long-term development agenda.

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by Gregory K. Ingram

Attachment

Table of Contents

Boxes, Figures, and Tables

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1. Introduction

1. This is the first OED evaluation of the Bank's overall environmental strategy since the Environment Department was created in 1987. It provides an independent evaluation of World Bank performance and draws lessons from experience.[1] It is timed to inform the new Environmental Strategy being formulated by the Environmental and Social Sustainability Vice Presidency (ESSD).

2. Assessments of environmental programs conducted by OED, the Environment Department, regional units and others constitute the starting point for the evaluation. Background reviews of Bank performance were commissioned in selected countries and areas critical to the environmental strategy .[2] Interviews with Bank staff and two surveys were undertaken.[3] Extensive consultations were held with stakeholders in the regions. Two Internet forums were conducted. The OED team coordinated closely with the Environment Strategy team and shared information and drafts. An Advisory Panel reviewed drafts and served as a sounding board for the recommendations.[4]

3. This report presents the highlights and recommendations of the evaluation. Supporting evidence is provided in a background Technical Report, which is available upon request (Shilling 2000b). Stakeholders and the Advisory Panel have urged that the whole World Bank Group should share a common approach and strategy. The Environment Strategy formulation team consulted with IFC and MIGA. IFC's and MIGA's own strategies will be formulated in light of the Bank's strategy. This review concentrates on Bank performance.[5] It recognizes the importance for the World Bank Group to formulate and pursue a common and integrated strategy.

1. The findings of a parallel study of the environment conducted by OED as part of the independent review of IDA 10, 11, and 12 have been incorporated with this report. See Shilling 2000a.

2. See References.

3. One survey included staff involved in environmental tasks. A questionnaire was sent to the 250 staff identified as having recently worked on environmental projects or components (both preparation and supervision) and/or on economic and sector work concerned with the environment. Sixty-four replied (26 percent) and constitute the sample. A second, in-depth survey of a random sample of 30 task team leaders was also undertaken.

4. Mr. David McDowell, Former Director General, IUCN; Mr. Bjorn Stigson, President, World Business Council for Sustainable Development; Ms. Frances Seymour, Program Director, Program in Institutions and Governance, World Resources Institute; Mr. Ashok Khosla, President, Development Alternatives Inc.; and Ms. Alicia Barcena, Chief, Environment and Human Settlements Division, United Nations Economic Commission for Latin America and the Caribbean.

5. The World Bank includes the International bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

2. The Historical Context[6]

Environment in the Bank

4. The Bank created the Office of Environmental Advisor in 1970 in reaction to externally voiced concerns. The office had a small staff, reviewed all projects, and recommended changes where necessary. Its impact was modest, and project officers widely regarded it as an "adversary." It remained isolated from the "mainstream" so that, by the mid-1980s, the Bank was lagging behind other multilateral agencies and bilateral donors in implementing environmental policies and practices such as environmental assessments.

5. Several Bank projects (including the Polonoroeste Project in Brazil and the Narmada Project in India) elicited strong negative public reactions due to adverse environmental and social impacts. Complaints were registered by the Bank's major shareholders and from environmental NGOs. In response, the Bank created an Environment Department in the 1987 reorganization, sharply increased the number of environmental staff, instituted environmental safeguard policies, and launched a program of environmental lending. The new department was given wide responsibilities for research, developing new environmental initiatives (often with regional staff), regular environmental reviews of projects (including authority over environmental design aspects), and strengthening the Bank's environmental policies. The department launched initiatives to assess environmental conditions in borrower countries, introduced mechanisms to improve them,[7] and set up a computer database, to track project content and implementation.[8]

6. In preparation for the 1992 United Nations Conference on Environment and Development in Rio de Janeiro, the Bank set up 23 task forces to provide technical inputs covering a wide range of issues related to environment and development. It agreed to help member countries fulfill their obligations under international conventions. The 1992 World Development Report *Development and the Environment* was a major intellectual contribution and advanced thinking on the environment in the Bank and the development community at large.[9] The Bank also played a leading role in addressing global issues, as an implementing agency for the Montreal Protocol on atmospheric ozone reduction and as one of the three executing agencies of the Global Environment Facility (GEF).

7. Translation of this wide ranging agenda into concrete action has proved elusive, however. Unclear objectives in the Environment Department in its early years and poor coordination between the center and the Regional Environmental Divisions (REDs) led to tension and confusion. Each unit vied for resources and control of the environmental agenda. This led to a series of structural changes that gradually transferred more resources and authority to the Regions.

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6. Wade 1997.

7. The program for National Economic Action Plans was the most visible of these initiatives.

8. The ENVIS system allowed extensive word and topic searches of project documents for treatment of environmental and other topics and was well in advance of other systems then available for project documents.

9. Despite criticism from many environmental advocates, it went about as far as was feasible for the Bank at that time and increased awareness inside the organization and among member countries. It stopped short of addressing environmental sustainability, although considerable background material had been prepared on that topic.

8. In the early 1990s, the Technical Departments provided regional leadership on environmental issues with technical support and focus on broad issues being provided by the center. The 1996 reorganization further reduced the role of the center leading to a loss of momentum on cross-cutting issues and reinforcing the sectoral treatment of the environment. More recently, the Environment Sector Board and the ESSD Network Council have been working to enhance the role of the center in coordinating environmental initiatives and in shaping a new Environment Strategy.

Environmental Policy and Strategy

9. The Bank adopted environmental sustainability as a corporate goal. According to the Brundtland Commission: *Sustainable development "meets the needs of the present without compromising the ability of future generations to meet their own needs."* So far, no one has translated this broad and appealing statement into direct operational guidance. Analyses of what it takes to achieve sustainability have been undertaken for a number of specific biological and physical topics, but it has not been possible to aggregate these into variables or indicators that apply at a national level.[10]

10. In order to guide its operations, the Bank issued formal environmental policies, matching best practice in other international financial institutions (in particular the Asian Development Bank and USAID). Environmental assessments were formalized into Operational Directive (OD) 4.01 in 1991.[11] Other policies grounded in prior Operational Manual Statements and Operations Policy Notes were added thereafter.[12] Undertakings called for by the IDA Deputies included preparation of National Environmental Action Plans (NEAPs), inclusion of environmental issues in Country Assistance Strategies (CASs), and disclosure of environmental assessment documents (Shilling 2000a).

11. While not a formal sector strategy, the 1992 WDR was widely accepted as the strategic framework for Bank environmental activities. It was supplemented by *Annual Environment Reports* (1990–95) and subsequently by annual *Environment Matters*. Two complementary policy approaches were identified in the WDR: those that build on the positive links between development and the environment ("win-win") and those that break the negative links. The first prong focused on exploiting synergies between poverty reduction and environment, removal of subsidies with negative environmental externalities, and clarifying property rights regimes for land, forests and fisheries. The 1992 WDR recognized that such policies by themselves are not enough. The second prong recognized that strong institutions and policies targeted at specific environmental problems were essential to break negative links. Furthermore, the WDR

10. Bank research and publications on natural capital and genuine savings and joint efforts with other partners, such as OECD, to develop and refine various sector-specific environmental indicators are at the forefront of attempts to define valid measures of environmental sustainability on a country basis. The underlying data are hard to come by in many instances.

11. USAID, CIDA, Netherlands and the Nordic countries, had already mandated environmental assessment for their own programs. The Bank's environmental ratings system was adopted from the ADB.

12. The original policies, of which many have been converted to OPs and BPs, and their issuance dates are: OMS 2.36 Environmental Aspects of Bank Work, issued May 1984; Annex A to OD 4.00 Environmental Assessment, issued October 1989; Annex B-B4 to OD 4.00 Environmental Policy for Dam and Reservoir Projects, issued April 1989; OD 4.20 Indigenous Peoples, issued September 1991; OP 4.36 Forestry, issued March 1993; OPN 11.02 Wildlands: Their Protection and Management in Economic Development, issued June 1986; OPN 11.03 Management of Cultural Property in Bank-Financed projects, issued September 1986; OP/BP 4.07 Water Resources Management, issued July 1993.

emphasized that the environment is a cross-cutting issue that needs to be addressed in operations in most sectors. This implies a strong commitment for integration of these concerns in all Bank activities – what is commonly known as mainstreaming.

12. Critics of the Bank have suggested that the focus on "win-win" did not take full account of the trade-offs implicit in many environmental policies and understated the opposition of those who stood to lose, as indicated by the difficulties in implementation. There was widespread concern over the concept of "Environmental Kuznets Curves (EKC)," which assumes that environmental degradation increases with economic growth at low income levels, a trend eventually reversed as incomes rise above a distinct 'inflection' point, associated with each form of degradation.[13] However, such views were deemed by environmental experts inside and outside the Bank as complacent and implicitly supportive of the discredited doctrine of "grow now and fix the environment later." Of course, the Bank does not subscribe to this view and has issued guidelines and important publications, such as *The Pollution Prevention and Abatement Handbook* (World Bank 1999b) demonstrating effective ways to improve the environment at all stages of development. Unfortunately, some Bank operational staff still argue that selectivity and the important role of growth in poverty reduction are valid reasons to give a low priority to the environment in low income countries.

External Situation

13. For the past three decades, the environment has been a highly contentious aspect of Bank work. Much negative publicity materialized because of Bank involvement in several high-profile, high-risk projects, including the Narmada Dam in India, the proposed Arun Dam in Nepal, the Itaparica Resettlement and Irrigation project in Brazil, and most recently, the Chad-Cameroon Pipeline Project and China Western Poverty Reduction Project. Concerns about the mixed implementation record of Bank safeguard policies precipitated the creation of the Inspection Panel in 1993 to review and investigate claims by eligible local parties regarding alleged lack of compliance with its own policies.[14]

14. Chronic concerns about the application of safeguard policies have led the Bank to initiate process reforms; to take a more environmentally constructive approach to high-profile projects (e.g., Nam Theun dam in Laos); and to withdraw from controversial projects, often at the request of the borrower. Developing country governments have criticized the Bank for giving in to the views of advocacy NGOs, while developed country governments have criticized its compliance record and urged it to do more to promote the environment.

15. Many developing country governments view the international concern over environmental problems in their countries as intrusive and likely to impede development. They argue that developed countries have over-exploited the environment, refused to take full responsibility for mitigation of their own impacts on the global commons, and are shifting that responsibility to the developing countries without adequate compensation. This perception has substantial validity, and it has complicated the role of the Bank. On the other hand, public tolerance for inadequate compliance with the Bank's own policies is low. All member country

13. These are based on economic Kuznets Curves that postulate that income inequalities will increase initially before decreasing over time (a theory that is not well supported by evidence).

14. While this study does not evaluate the Inspection Panel, two background papers touch on issues raised by the Inspection Panel about the Western China Project: IUCN 2000 and Boisson de Chazournes, 2000. See, also, Shihata 1994 and Shihata 2000.

governments expect the Bank to deliver in its promises and therefore to promise only what it can deliver.

3. The Bank's Record

Bank Objectives

16. The Bank sharply increased the prominence of the environment in its operations after 1987. The Bank's efforts were guided by a series of policies, procedures, and management instructions issued over time, including a series of papers for the Development Committee, the IDA replenishment recommendations (IDAs 9 –12), the WDR of 1992, annual environmental reports, and diverse initiatives.[15] Altogether, these documents defined a "fourfold" agenda consisting of:

- *Stewardship*: To help member countries to develop environmental strategic priorities, build institutions, and implement programs to support environmental sustainability. Operationally this would be implemented by setting standards with the Bank's own strategy, research, and policy efforts regarding the environment and by helping countries prepare environmental action plans, full integration of short- and long-term environmental concerns into country strategies, capacity building, and policy dialogue with core economic ministries.

- *Mainstreaming*: To help member countries build on the positive linkages between poverty reduction, economic efficiency, and environmental protection. The Bank would implement this by making environmental sustainability a core objective in its operational activities and economic sector work (ESW) and by using its lending to address environmental issues, through direct environmental projects and, more important, by integrating environmental objectives into Bank activities in general and into projects in other sectors in particular. Designing and using appropriate environmental indicators was to be used regularly to set targets and monitor results. [16]

- *Safeguards:* To ensure that potential adverse environmental impacts from development projects are addressed. This is implemented through the environment assessment (EA) policy and related safeguard policies. These assessments should be undertaken as early in the project cycle as possible and the process must be fully understood by all staff.

- *Global Environment:* To ensure that global and transnational environmental challenges are properly addressed in member countries. This would be implemented by raising awareness of these issues and supporting actions in member countries to reduce adverse global impacts, and by the Bank using its convening power to build understanding and partnerships around these issues. The Bank has a special responsibility to focus on the local impacts of global

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15. See World Bank 1987, World Bank 1988, World Bank 1990b, World Bank 1991, World Bank 1992a, World Bank 1993b, and World Bank 1994.

16. Various interpretations have been adduced about mainstreaming as applied to the Bank. For the sake of clarity in presentation, this report uses stewardship to address policy and strategy issues that govern actions affecting the environment. Mainstreaming is used for integrating environmental considerations in the Bank's operations, both direct lending (on which information is available) and incorporation into other lending (for which, despite its importance, few indicators are available).

environmental degradation, and the local benefits of implementing the global environmental agenda in member countries.

17. The first three elements are well within the Bank's overall mandate to assist developing countries. The fourth extends its responsibility beyond national development issues to a range of global topics, including promoting awareness, support for the international conventions,[17] and executing GEF projects. This agenda implies the full integration of the environment as a core theme in the Bank's overall program. In practice, the environment has all too often been treated as just another sector competing for attention, rather than as a cross-cutting theme.

18. Under the leadership of President Conable, the Bank's allocation of resources to environmental activities increased substantially after the 1987 reorganization. Staffing went from a handful before the reorganization to 70 in 1990 and 300 in 1995. It leveled off at around 250 in 2000.[18] Budgets evolved in a similar fashion. However, in an effort to strengthen its country focus, the Bank adopted a cumbersome "charge-back" system, whereby country program units contract for environmental staff time. This has fragmented environmental work, damaged morale of staff required to fill their "billable hours" and reduced efforts on cross-cutting and cross-border issues. Currently, only about one-third of Bank budget resources of environmental units are their own funds. The rest are contracted from other budgets. Increased reliance on external trust funds, has made it difficult to get a precise measure of amounts spent.[19]

Stewardship, Policy and Strategy

19. Following Rio, and at the urging of the IDA Deputies, the Bank pressed forward with the completion of NEAPs or their equivalent in member countries. Many of these documents took longer to complete than expected, especially recent NEAPs, which have gone to greater lengths to promote participation of local stakeholders. By the end of 2000, 92 have been completed.[20] These documents were intended to build national commitment to environmental sustainability and to define concrete programs to be implemented, with Bank assistance where needed. They did lead to a number of institution-building projects and identified important issues. But the overall quality was mixed, and there has not been a regular program to keep them up to date.

20. The Bank undertook and sponsored a great deal of policy analysis and ESW on environmental issues. The Research Department allocated over 10 percent of its resources to environmental issues over the past decade. Much of this work is highly regarded and has contributed to better understanding of the role environmental factors play in development and of how to quantify many environmental impacts. Seminal work was done on natural capital, environmental indicators, and green accounting by the Environment Department. Environmental

17. For example, Convention on Biological Diversity, United Nations Convention to Combat Desertification, Montreal Protocol on Substances that Deplete the Ozone Layer, and Kyoto Protocol to the United Nations Framework Convention on Climate Change.

18. World Bank Business Warehouse database. The number has declined slightly in the past two years as part of the overall retrenchment of budgets and staffing in the Bank, but the change was roughly proportional. The separation of the Social Development Department has also resulted in some changes in the overall figures.

19. Due to changes in reporting, conversion to SAP, and increased use of trust funds, it has not been possible to get accurate and comparable figures over time.

20. Under pressure to complete them quickly, some were largely the product of foreign consultants and allegedly not reflective of local participation. Independent reviews of NEAPs have found mixed quality regardless of the particular means of preparation.

data are regularly published in the World Development Indicators and summarized in a new publication: *The Little Green Data Book 2000* (World Bank 2000c). With the adoption of holistic, long term development as a Bank priority with the CDF, there is need for more research to probe the linkages between the environment, sustainable livelihoods and poverty reduction.

Environmental Lending and Mainstreaming

21. The Bank initiated direct lending for environmental projects and institution building and promoted mainstreaming of environmental concerns in all its projects. While good data are available for direct lending, considerably less attention was given to providing guidance or monitoring mainstreaming (Box 1). This is unfortunate given the importance that policy statements accorded to integrating environmental concerns broadly into the Bank's program.

Box 1: Mainstreaming the Environment

Both inside and outside the Bank, confusion exists as to what mainstreaming the environment is and how to achieve it. The definition used in this paper is based on the IDA Ninth Replenishment: "*To integrate environmental concerns into broader operational and analytical activities*." At the project level, this entails moving beyond "safeguarding" the environment through compliance with "do-no-harm" safeguard policies to "doing good" for the environment with the Bank's overall program, which is essential to improve development outcomes. Direct environmental projects may contribute, but the thrust is to incorporate attention to environmental concerns into Bank activities supporting institutional development and into decisions about projects, policies, and programs. To help pin down how this would occur, here are two cases, one where it has occurred successfully and one where it has not.

Best practice: *China – Sustainable Coastal Resources Development*. The project evolved from a solely production-oriented project to one focused on sustainability. Originally consisting of three components: construction and rehabilitation of shrimp ponds, expanding eel production, and new aquatic facilities, the project objective shifted to the sustainable development of coastal resources after analysis of the environmental impact. The project will enhance the environment through the design and implementation of coastal zone management plans, siting and selection of production components to stay within local carrying capacity, conservation of endemic species by protected area management, hatchery development to take pressure off natural stocks, and the provision of facilities for environmental monitoring.

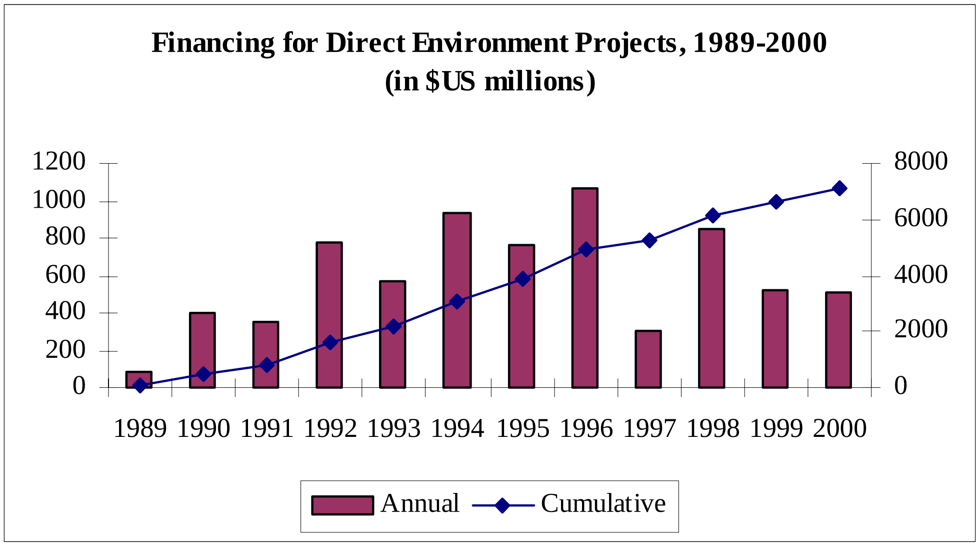
Not best practice: *Yemen – Fourth Fisheries Development:* The main objective of this project was to expand fish catches and improve processing. Although it included provisions for a Fish Stock Assessment, "the TA input was too fragmented as to purpose, timing and personnel to have any lasting impact." (ICR) As reported in an Aide Memoire, "there is urgency to assess the state of selected fish stocks in view of the apparent over fishing of these stocks." Other studies (such as a marine resources situation report) were undertaken, but their recommendations were not implemented. For example, fishing efforts were not limited to levels recommended in the marine resources report.

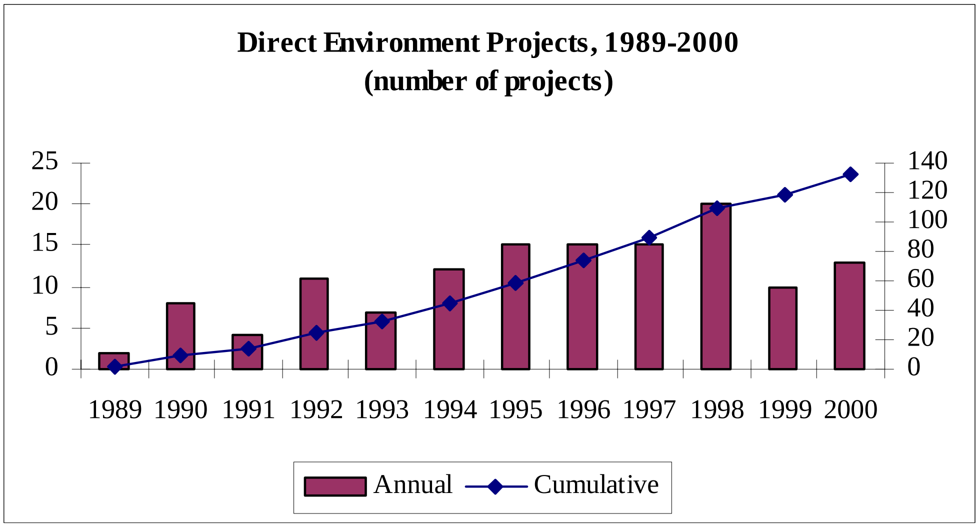
22. The portfolio of direct environmental projects rose from $564 million in 1993 (7 projects) to $1,072 million in 1996 (15 projects), but dropped to $514 million in 2000 (13 projects).[21] The portfolio includes projects that address sustainable natural resource management (36 percent of the environmental portfolio for fiscal 2000), pollution management and urban environmental improvements (47 percent), institutional development and capacity building (8 percent), and global issues such as the protection of international waters and biodiversity, mitigation of

21. World Bank Business Warehouse database. As a share of total Bank lending, direct environmental projects accounted for 2.4 percent in 1993, 5.0 percent in 1996, and 3.4 percent in 2000.

greenhouse gas emissions, and phase-out of ozone-depleting substances (9 percent)[22] (see Figure 1). Lending has concentrated more on pollution abatement issues (the brown agenda), while IDA credits have been more weighted toward natural resource management (the green agenda), as these countries tend to depend more directly on these resources for sustainable livelihoods.[23] The trend for new projects in both categories has peaked and tailed off since 1996 for amounts and since 1998 for numbers.[24]

Figure 1: Evolution of the World Bank's Environment Portfolio





Source: Business Warehouse.

22. World Bank 2000a.

23. India and China are major exceptions to this tendency due to the size of their industry and energy sectors.

24. Although the share of environmental lending in total lending rose in 2000, that was primarily due to a sharp drop in other (primarily adjustment) lending. By itself, this is not a sign of renewed emphasis on the environment.

23. In addition, a wide range of projects explicitly includes environmental components (for example, forest protection in a highway project, or wastewater treatment in an energy project). Various attempts have been made to monitor this mainstreaming, but no consistent criteria have been agreed and reliable time series do not exist to indicate that "environment component" lending has offset the decline in direct lending.[25]

24. Even looking at environmental components misses a major objective of mainstreaming – incorporation of consideration of environmental factors in the design of projects, even where there is no explicit component. The lack, to date, of guidelines and monitoring of the extent of mainstreaming is itself a cause for concern. Lack of lasting commitment by countries and country managers, budget constraints, and the ascendancy of other priorities have been cited as reasons.[26]

25. Beyond its own lending, the Bank is a major implementing agency for the Montreal Protocol and the GEF. Efforts under the former are now largely completed and have been successful. The Bank has consistently exceeded its annual ozone-depleting substances (ODS) phase-out targets (World Bank 1999a and 2000d). GEF grants have grown in line with available resources. GEF projects have been catalytic for bringing global environmental issues to the fore and helpful in mainstreaming the increase in GEF disbursements through the World Bank. Bank cofinancing in GEF projects has increased since 1997 to about 20 percent on average.

26. While acting as an important source of leverage to expand the scope of Bank lending, GEF support is provided only for incremental costs associated with global environmental issues. It was never intended to be a large portion of Bank environmental support. However, in some countries, environmental staff have noted that using GEF funds is almost the only way to get an environment project into the program. This limits environmental interventions to those global areas covered by the GEF and hinders progress toward one of the GEF's goals of leveraging its impact through greater access to Bank resources and addressing incremental costs of global issues through joint Bank/GEF operations. The Bank has been working with the GEF to simplify procedures[27] and improve the development impact of GEF grants. In general, the availability of grant funding (from other donors) for many environmental activities in borrower countries has reduced the interest in borrowing from the Bank and IDA.

27. Over the past decade, the overall composition of Bank lending has shifted from project-based operations to adjustment lending and now to new forms of programmatic lending. Adjustment lending amounted to about one-quarter of total lending over the decade. It rose to $15.3 billion (52.9 percent of total lending) and exceeded investment lending in fiscal 1999, but has declined to 33.4 percent in fiscal 2000 as the East Asian crisis receded.[28] The Bank has not made a concerted effort to incorporate environmental concerns into these types of operations. Central guidance was limited, and despite identifying critical policy issues with substantial environmental impact in the 1992 WDR and subsequent analyses, there has been a great deal of

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25. The most recent such effort (IDA 2001) does not include information on closed projects, which would be essential for the analysis of trends. Analysis carried out by the Environment Anchor indicates that the value of environmental lending through other sector projects over the past decade is at least of the same order of magnitude as direct environment lending over the same period.

26. These reasons were cited by staff interviewed and by survey responses.

27. Although according to staff involved there is still a long way to go.

28. World Bank 1999c.

ambivalence regarding the coverage of environmental considerations into adjustment lending (see para. 55).[29]

Safeguards and Environmental Assessments

28. The Bank's environmental safeguard policies have been reviewed on several occasions[30] and found to be generally satisfactory. All Bank investment projects are covered. From fiscal 1990 to 2000, 210 projects – about 14 percent of the Bank's portfolio (by loan amount) – have been classified as Category A (requiring a full EA). Another 1,004 projects – nearly 35 percent of Bank lending – were classified as Category B (requiring a limited or targeted EA). About 51 percent were classified as Category C (World Bank 2000a). There has not been a discernable trend over the period.

29. In most cases, the EA process has identified environmental impacts and led to satisfactory redesign and/or mitigation. In some instances, environmental staff have used the reviews to suggest improvements in projects outside the EA process and to incorporate environmental concerns in other sectors. Along with increased delegation to country units, funding for safeguard implementation has been included in the regular task budgets. However, until fiscal 2001, there was no independent funding or staff assignments for monitoring and implementing the safeguards.

30. The EA process has not been foolproof, however. The most visible failures of the Bank on environmental issues have stemmed from actual or alleged failures to implement the EA process fully and creatively.[31] Creation of the Inspection Panel was one reaction to external pressure.[32] There have been allegation of many more violations that have not been submitted to the IP, but there has been no systematic analysis of these concerns, so no conclusions can be drawn. The most recent QAG assessment of supervision quality found that, in a sample of 150 projects, 5 percent had significant safeguard issues which had not been identified at the time of approval, and for projects with safeguard aspects the mitigation actions for dealing with adverse impacts, and arrangements for monitoring compliance, were inadequate in 20 percent of the cases.

Global Concerns

31. The Bank has used its advisory services and convening power to raise awareness of global environmental issues among member countries. It has supported country actions in line with the international conventions and supported the GEF. The issues of biodiversity and climate change promoted by the developed countries have important local impacts. They have to be addressed in the context of local support and generating local benefits, which can be substantial. For example, recent Bank research has shown that an approach to reducing particulate air

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29. Munasinghe and Cruz 1995 and World Bank 1997c also discussed environmental policy issues that could have an impact.

30. World Bank 1997c and OED 1996, World Bank 1993a. A third review of environmental assessments is under way by ESSD.

31. In some cases, the failure led to actions before the Inspection Panel, in others, pressure led to Bank response during project preparation, such as the Chad-Cameroon pipeline and the Nam Theun dam in Laos.

32. IFC has adopted another approach with the creation of a Compliance Advisor/Ombudsman (CAO) who is able to deal with issues similar to those brought to the Inspection Panel in a more constructive and less adversarial manner.

pollution, which has large local health benefits, is also nearly optimal for reducing greenhouse gases, while an approach that focuses initially on reducing greenhouse gases would have much less impact on reducing local pollution.

32. Global environmental issues are by their very nature public goods. Normal market forces do not typically result in adequate provision of these goods or services. Public intervention is needed. Within national contexts, such intervention is usually the responsibility of government, which is supposed to represent the common good of society. On the international scene, addressing public goods issues requires collective action. Thus, leadership from international bodies and effective partnerships among civil society groups, public institutions, and the private sector are critical. The Bank has increased its efforts to form partnerships with key stakeholders, including local environmental coalitions (MesoAmerica), NGOs (World Resources Institute and World Wildlife Fund), private sector interests (Forest CEOs), and local NGOs (in GEF and the new Critical Ecosystems Fund). The pent up demand for a Bank role in multi-country partnerships remains strong.

33. In addition, the Bank was instrumental in the creation of the World Commission on Dams, based in part on the Bank's own increasing concerns about the environmental and social impacts of large dams. The World Commission on Dams has proposed global guidelines for dam building through a process that involved all the interested parties. The commission has completed its work and issued a consensus report. It remains to be seen how its recommendations are put into effect by the Bank.

34. During the period under review, the Bank's performance on the environment has improved in a number of areas, but progress has been more halting and fragmented than coherent. Its strategy has been ambivalent, leading to ambiguity as to whether to treat environment as a sector or a theme. Guidelines and expectations about performance have not been clear. Indicators, monitorable targets, and regular evaluation of progress on the environment have been the exception rather than the rule. Accountability has been weak: managers have not been systematically held to account for meeting Bank objectives or complying with Bank policies in this area. While these shortcomings should not distract from the many successes that have been achieved, they highlight why performance has not lived up to the Bank's rhetoric and help explain the continuing dissatisfaction with the Bank's performance on the environment even by responsible external critics, as well as the frustrations felt by many environmental staff.[33]

4. Main Findings

35. The cross-cutting nature of environmental issues and the variety of interventions relevant to protecting the environment make it difficult to apply the usual portfolio approach to this evaluation. Shareholder expectations and the Bank's own strategic formulations have conceived of the environment as a theme rather than a sector. Operationally and in its organizational structure, it has been the reverse. Accepting the thematic approach as dominant, this evaluation looks at how well the Bank has performed on the objective of incorporating the environment into its activities as well as its performance on environmental projects and safeguards. The absence of

33. The Advisory Panel believes "that the appropriate benchmarks for measuring performance should be the Bank's own stated commitments, and the degree to which the Bank's response has been commensurate with the agency and importance of the challenge. By both these measures, and particularly in light of the failure to mainstream and evidence of recent back tracking, the Bank's performance has clearly been unsatisfactory."

an explicit strategy statement and the lack of agreed and verifiable corporate and country performance indicators have hindered the conduct of the evaluation. However, the intent of numerous Bank policy statements is clear: to integrate the environment into the Bank's development agenda. Accordingly, over and above the record on projects, country strategies, and other activities, this evaluation looks at how internal organization, incentives, and accountability structures have affected performance.

Stewardship, Policy, and Strategy

36. The Bank has structured its approach to the environment as an economic sector and focused primarily on individual projects. The introduction of a major new area of attention required a concerted effort by dedicated units and staff. Most of the expertise was specialized and not part of the background of most Bank staff. The concept that *environmental* sustainability is an integral part of sustainable development has not been explicitly accepted at a strategic and policy level, although a great deal of importance has been given to specific aspects of the environmental agenda in terms of projects and safeguards. The long-term, systemic nature of environmental issues is hard to reconcile with the short time horizons and sectoral structure of the Bank and its borrowers. The long term, holistic vision of the CDF has yet to take hold (OED 1999).

37. The absence of integration is reflected in the formulation of Bank strategies. The Mission Statement (1997) includes "help[ing] people help themselves and their environment . . ." as an adjunct to fighting poverty, but that part of the statement is rarely referenced in justifying country assistance strategies or budgetary allocations. Perhaps most surprising and despite recommendations from IDA deputies, the Environment Department, and many external agencies, the Bank did not pursue either analytically or operationally the links between environmental sustainability and poverty alleviation in the context of a sustainable development strategy (DFID 2000b).[34] These links are important, particularly for natural resource management in rural areas and health in urban areas.

38. Neither the 1990 nor the 2000 WDR make the link between poverty and the environment, although environmental degradation is a major factor in hindering the creation of sustainable livelihoods for the poor. The link was made in the 1992 WDR, but an authoritative statement of corporate strategy linking poverty reduction to the environment has not been issued. The poor often contribute to degradation when pushed to the margins in order to survive. But more important, environmental degradation from various aspects of industrialization and growth have had very adverse affects on the poor: pollution on their health, soil erosion on their productive capacity, land encroachment on their access to traditional productive assets are among the most prominent. The recent *Voices of the Poor* exercise and the consultations for the environment strategy have underscored the fact that the poor consider achieving sustainable livelihoods from environmental resources and improving the environmental aspects of quality of life to be very important. The British development agency, DFID, recently made this connection transparent and compelling in relation to achieving the 2015 International Development Targets (DFID 2000a).

39. Strategy papers in other sectors have addressed environmental issues where there is a clear overlap. The strategy papers: *Water Resources Management, A World Bank Policy Paper* and *Cities in Transition, World Bank Urban and Local Government Strategy* are excellent examples. *Fuel for Thought* was a unique attempt to draw the environmental implications of a global environmental priority in terms of programatic results. Its preparation was fraught with

34. The planned 2002 WDR on Sustainable Development may address this issue.

contention about how large a role environmental factors should play in other sector activities. Other sector strategies have been less extensive in their treatment of the environment, and few have provided analyses of the linkages between environmental objectives and sector strategy goals. In particular, treatment of environmental issues in private sector development activities has been weak.

40. Even where the environment is incorporated in a sector strategy, it has not necessarily been reflected in subsequent projects. This has to do with incentives and the sector orientation of the Bank's organizational structure. There have been few efforts to establish and build upon cross-sectoral links, despite obvious impacts that actions in most sectors have on the environment and conversely. The Environment Strategy currently under preparation should be designed to redress this situation. Whether or not a "sector board" is equipped to deal with a thematic priority such as the environment remains to be seen.

41. The Comprehensive Development Framework (CDF) introduced in 1999 brought a holistic and long-term vision to the Bank's approach to development. The environment, together with cultural heritage, was included as one column in the CDF matrix. This treatment falls short of addressing the cross-cutting nature of environmental considerations: the environment column does not intersect with other sectors, which are also columns. Similarly, the Poverty Reduction Strategy Papers (PRSPs) introduced in the context of the Highly Indebted Poor Country (HIPC) initiative treated the environment as a subsidiary sector. The Strategic Compact launched in 1996 did not include a component supporting the enhancement of environmental work.[35] These are telling signs that the Bank has not yet succeeded in making the environment a core thematic priority or in emphasizing environmental issues in all relevant aspects of Bank activities.

42. The Bank's program to support NEAPs and environmental ESW did put the environment onto most policy radar screens, although the documents themselves have been of mixed quality and follow-up has not been consistent. The NEAPs have helped member countries gather information on the environment. The Bank has supported research on environmental indicators, such as genuine savings, and estimated the costs of environmental degradation in terms of GDP (see Table 1).[36] This substantial body of work, however striking the environmental threats and damages recorded, has not had the expected impact on country policy dialogue and strategy work.

43. Integration of the environment into CASs has been limited, even for IDA countries where the Deputies stressed such inclusion. Reviews of 37 CASs in 1999 and of 51 IDA CASs over the period 1992–99 show that treatment of environmental issues was only partially satisfactory. They are adequately addressed in only half the CASs. The quality of the treatment has not improved over the period (Shyamsundar and Hamilton 2000, and Ekbom and Bojo 1997). Senior management did not make inclusion of environmental issues into the CAS a review priority. Typically, the environment is mentioned as a sector rather than integrated into the development

35. There was a small item for assessments in Africa. Although the Strategic Compact did not provide additional funds for the environment, that "sector" shared in the subsequent cutbacks.

36. Studies have shown for example that the costs of environmental damage to health, soils, etc. amount to about 8 percent of GDP in China each year, and about 5 percent in India. See: World Bank 1997b, Hommann and Brandon 1995, Babu and Khanna 1997, and Tata Energy Research Institute 1998. Estimates in other countries also suggest substantial costs.

strategy, although there are best practices that take a broader approach (such as Vietnam and Panama).[37]

Table 1: Indicators of Environmental Degradation for Selected Countries[a]

Country	Gross domestic savings (% of GDP)	Genuine domestic savings[b] (% of GDP)	Environmental degradation (% of GDP)	Net forest depletion (% of GDP)
Bangladesh	17.1	10	..	2.1
China	42.6	32.0	8[c]	0.4
Costa Rica	26.8	20.6	..	1.0
India	20.9	10.3	4.5 – 8[d]	1.6
Indonesia	24.1	5.9	..	1.2
Mali	10.1	5.2	..	0.0
Mexico	22.4	12.4	10	0.0
Morocco	14.7	9.7	..	0.0
Nigeria	11.8	-14.2	15[e]	1.8
Philippines	16.3	7.6	..	1.6
Poland	21.3	14.6	..	0.0
Romania	9.2	0.4	..	0.0
Yemen	2.4	-26.3	..	0.0

a. Unless otherwise referenced, all statistics are drawn from *The Little Green Data Book 2000* (World Bank 2000c) and the Environmental Economics and Indicators Unit (EEI), World Bank, 2000. The data in this book is for the years 1990, 1997, and 1998 or the most recent year for which data is available.
b. Genuine domestic savings is defined as being equal to net domestic savings, plus education expenditure and minus energy depletion, mineral depletion, net forest depletion, and carbon dioxide damage.
c. World Bank 1997a .Air and water pollution damages have been estimated to be at least $54 billion a year or nearly 8 percent of GDP in 1995.
d. Hommann and Brandon (1995) assessed annual environmental costs at 4.5 percent of GDP. Babu and Khanna (1997) estimated costs from air pollution, groundwater mining, deteriorating quality of many aquifers, land degradation, and deforestation to be 5 percent of GDP. Annual economic costs of air pollution, contaminated water, soil degradation, and deforestation were estimated to be 8 percent of total GDP in Tata Energy Research Institute (1998).
e. Estimated from World Bank (1990a).

44. Admittedly, CASs carry a large burden, and tend to be short-term in focus, perhaps more so than needed for a strategic document. However, inclusion of a summary diagnosis of the environment in the CAS is essential to ensure that environmental considerations are adequately included in the overall development vision and strategy. So if the environment is a corporate priority, it should be covered in the CAS. It may be that other objectives take priority in a particular country at a particular time, but if so, the CAS should note the rationale for that decision so senior management and country officials are aware of the strategic choices. Lack of such treatment, and of insistence on it, is a very worrisome shortfall.

45. The quality of any country strategy or policy dialogue on the environment depends on the underlying information. Environmental indicators are not yet required in CASs, although useful ones are currently available, and a project funded by external donors has created a standard format and data set.[38] NEAPs are becoming dated, and there is no program to keep them current. Management has not requested any regular follow-up on NEAPs, or made efforts to incorporate lessons from their preparation into other environmental activities.

46. Environmental ESW is declining compared to the early 1990s, both with respect to numbers of studies and budgetary allocations. A recent study by the Bank's Operations Policy, and Strategy (OPS) group found that the Bank needs to be diligent in ensuring that environmental

37. the last CAS Retrospective shows that only 16 percent of CAS were unsatisfactory, with regard to their treatment of the environment (World Bank 2000).

38. Only two of the CASs reviewed included environmental indicators: Zambia and South Africa.

issues are analyzed for all countries and that there is current environment ESW where it is an important issue. For this purpose, adequate coverage in integrative ESW (such as the proposed development policy review) would be an important first step.

47. The reluctance within the institution to be more proactive in making the case for the environment to its clients cannot be wholly justified by country resistance or the recent emphasis on serving the clients' own objectives. Nurturing policy reform is a central Bank objective. The evidence of major negative impacts from environmental degradation (where the analysis has been done) argues for the Bank making a stronger case based on the facts. Substantial progress has been made where committed staff and line managers in the Bank have stressed the issue and borrower countries recognize the importance of the environment. China, Mozambique, Costa Rica, and Poland demonstrate that substantial progress can be made in gaining government commitment and improving the design and application of a country's own environmental policies. Many other cases, however, show significant shortfalls (such as Mexico, Jordan, and until recently, Indonesia). Satisfying results have been obtained in both low- and middle-income countries. The priority the Bank gives to the environment in its own objectives, strategy, and programs is as important a signal to member countries as the extent of the financial assistance it offers.

48. Overall, the Bank has been **partially successful** in incorporating the environment into sector strategies, country strategies, and policy dialogues.[39] Even OED evaluations of country assistance programs have not regularly assessed the Bank's activities in relation to the environment. Recent reviews of 29 Country Assistance Evaluations (CAEs) by OED (15 IBRD countries and 13 IDA countries) found that only 9 examined the treatment of environmental issues fully. Ten gave some reference to environmental issues and nine had no, or only marginal references to the environment despite significant environmental challenges faced by many of these countries. Of course, CAEs should not be expected to cover everything. On the other hand, since environmental sustainability is not just another theme or sector but one of the core objectives of the Bank (along with poverty reduction and broad based growth), it would be appropriate for CAEs to review the its relevance and coverage in the Bank's country programs, even if only to briefly note that taking action on the environment may be a lower priority at a particular point.

Environmental Lending and Mainstreaming

49. Among the Bank's environmental projects and programs are many successful examples of direct lending and of mainstreaming the environment into other operations, some of which have served as models for other projects in the country served. The Loess Plateau Watershed Rehabilitation and Sustainable Coastal Resources Development projects in China, Uttar Pradesh Sodic Lands Reclamation in India, Industrial Pollution in Bulgaria, Arid Lands Resource Management in Kenya, district heating projects in Poland, and air pollution projects in Mexico are all good examples. Significant efforts have been made in countries like Madagascar to implement major and vitally needed reforms in the treatment of the environment, but the results are still uncertain. These positive results demonstrate the potential of the Bank. They are a function of individual efforts in the borrowing country or the Bank, or more often than not, both, according to interview data. In countries where ownership by domestic authorities could not be elicited, staff efforts have been less successful (for example, forest reform in Cameroon and Indonesia, industrial pollution in India, and water projects in Mexico).

39. The performance is comparable to that of other donors, based on their own evaluations. See Annex A.

50. The Bank's treatment of the environment as a sector, rather than as a cross-cutting priority, is reflected in the difficulty of getting environmental projects into country programs and environmental components into projects in other sectors. The current structure pits environmental units against other sector units competing for funds and space in country lending programs. There are few incentives for mainstreaming into other sectors, and few independent Bank resources to draw on for environmental staff to mainstream environmental components into other projects unless an enlightened task manager is determined to do so. Some environmental staff offer projects on "loss-leader" terms, hoping to make up the difference from trust funds or other sources. This competitive structure has made it difficult for environmental units to form constructive partnerships so as to mainstream the environment in projects.[40] The Asian regions, which have stressed mainstreaming, encouraged the inclusion of environmental concerns into projects in other sectors, provided budget allocations and, in some cases, joint appointments of staff.

51. A more important and persuasive objective of mainstreaming is to include environmental concerns in the design and implementation of projects across the board (for example, choice of transport strategies, energy sources, forestry development). This is more difficult to do and to monitor than specific projects and components, but it can have much more dramatic effects. So far, the Bank has not established guidelines, incentives, or monitoring procedures for this degree of mainstreaming, although many environmental supporters inside the Bank and out have urged more efforts in this direction. Developing an effective methodology for mainstreaming in this manner should be a high priority for the environment strategy and senior management.

52. To shed some light on the extent of mainstreaming in non-environmental projects, OED undertook a desk review of a random sample of 30 infrastructure projects. Six energy projects within the sample were found to have positive environmental externalities of increased supply of environmentally superior energy sources and/or improved energy efficiency. Outside of these six projects, modest efforts were made to mainstream the environment beyond the mitigation of the immediate negative impacts of the project in 20 of the remaining 24 projects in the sample.

53. The initiatives for mainstreaming the environment included policy reform measures, strengthening environmental capacity, undertaking resource strategy and plans, and developing environmental guidelines and regulations. These activities were also noted in some Country Case Studies. For example, partly as a result of the Bank's involvement in Morocco, most ministries and agencies have an environmental unit in charge of mainstreaming the environment in the sector's policies and projects. Within the sample of infrastructure projects, a Brazil State Highway project helped establish environmental units within the State Roads Departments to implement environmental guidelines prepared with technical assistance financed under the project. In Cyprus, the Southeast Coast Sewerage and Drainage project led to increases, albeit much lower than planned, in water charges to help promote the rational use of water. It also supported innovative engineering to permit the re-use of treated wastewater for the irrigation of "green" areas, saving the volume of clean water supplied to the community. The Country Case Studies also reveal Bank-supported energy price reforms in Poland and India and mainstreaming of natural resource conservation in infrastructure projects in Madagscar. A best practice example of mainstreaming is the China – Sustainable Coastal Resources Development project, is highlighted in Box 1.

40. These relations are complicated by the policing function of the same units with respect to the safeguard policies, which often creates an adversarial relationship.

54. Despite this progress, many difficulties have been faced in introducing mainstreaming activities. Sector reviews may be completed but their recommendations not followed up. Environmental capacity can be developed but then be lost when the environmental specialists move elsewhere. There needs to be real commitment from the borrower through adequate budgets and accountability of operations managers. This commitment is more easily found where the value of the environmental resources is high and evident. The value of the resource can be tied to the resource's economic potential, the health risks associated with a course of inaction, and its significant ecological value.

55. An issue faced by Bank staff is the reluctance of countries to borrow for environmental projects, even on IDA terms. Understandably, they prefer to seek grant funding from bilateral agencies and to use relatively scarce Bank/IDA funds for other priorities. This has led to environmental concerns dropping out of Bank strategies, despite the need to integrate the environment into the overall strategy, even if not funded by the Bank (for example, Bolivia and Mozambique). It also highlights the importance of building stronger partnerships with other agencies such as is expected to occur under the Comprehensive Development Framework (CDF) initiative. In one important case, the China Department expressed concern that its graduation from IDA may lead to a drop in Bank environmental lending to a country that has made major efforts in that area. China requires beneficiaries to generate the funds to repay Bank or IDA loans. The public good nature of many environmental investments means that full cost recovery may not be feasible, so the beneficiaries in China will not be able to repay on IBRD terms. The Bank is trying to find other sources of concessional finance from other donors.[41] So far, this has not proved to be a major problem, but it does illustrate the importance of finding ways to fund the public goods aspects of environmental projects in a consistent way.

56. Lending for adjustment operations and a variety of new forms of programmatic lending has been an increasing portion of the portfolio in recent years.[42] Adjustment lending is aimed at macro or sector policy reforms, and programmatic lending typically provides budget support for an approved sector or public expenditure program. In both cases, it has proved difficult to incorporate environmental concerns. The guidelines for adjustment lending recommend that staff identify environmental impacts. OD 8.60 states that "analysis of adjustment programs also considers the implications for the environment, since sound environmental management is a key objective of the Bank's assistance to countries. To help prepare appropriate assistance programs, Bank staff should review the environmental policies and practices in the country. The design of adjustment programs should take into account the findings and recommendations of such reviews and identify the linkages between the various reforms in the adjustment program and the environment." It goes on to suggest that environmental issues should normally be addressed by other policy actions. This is circular reasoning, since adjustment operations are the Bank's primary tool to support policy reform.

57. In practice, most adjustment loans do not address environmental issues.[43] Policy work by the Environment Department in 1995 identified extensive potential linkages and suggested a matrix with which to analyze the impacts and make adjustment loans more environmentally sensitive (Munasinghe and Cruz 1995). This was never applied. An ongoing review of adjustment

41. This is particularly unfortunate because China has been one of the Bank's strongest interlocutors on the environment and has made substantial progress, with Bank support.

42. Programmatic lending included Sector Wide Assistance Programs (SWAPs), Public Expenditure Review Loans (PERLs), and Poverty Reduction Strategy Loans (PRSLs), and policy-based budget support loans

43. ESSD is currently reviewing how to better incorporate environmental concerns into adjustment lending.

lending by OPCS has found that the proportion of adjustment lending that deal with environmental issues varies widely over time, averaging about 23% in the 1990s. Where the Bank has tried to incorporate environmental issues into adjustment lending, the results have been mixed despite significant efforts by the staff involved (see, for example, Seymour and Dubash 2000). Mainstreaming the environment into programmatic and adjustment lending remains a major challenge.

58. The Bank's performance on direct environmental lending compares well with lending in general. Performance rating of individual environmental projects by OED and the Quality Assurance Group (QAG) indicate that they have improved since the beginning of the decade and now do about as well as projects in general on the indicators used. Recent evaluations have raised concerns about institutional development projects being too complex and not designed to support institution-building processes long enough to have lasting effects (Margolis and Vetleseter 1999). Both QAG and OED have looked at the impacts of individual projects on the environment, which has led to positive recommendations in several cases

59. Performance on mainstreaming into other sectors and adjustment lending is harder to measure than the results of direct environment projects. The management decision to abandon the ENVIS database in 1992 has deprived staff and evaluators of an important tool to analyze the extent and importance of mainstreaming. Interview data suggest that the Bank's sectoral orientation and lack of established environmental priorities have made it difficult for environmental staff to participate in projects in other sectors and incorporate more sensitivity to environmental issues. Although it is widely agreed by both management and staff that an integrated approach is highly desirable, lack of clear objectives, insufficient means of monitoring, and perverse internal incentives have pushed in the opposite direction. It is too soon to judge results of recent efforts to change this in some regions.

60. The modest extent of mainstreaming the environment into the Bank's overall program is disturbing. Having identified the pervasive aspects of environmental issues, recorded their importance to poverty alleviation, and confirmed that mainstreaming is essential to achieving its environmental objectives and commitments, in practice, the Bank has done little institutionally to promote, monitor, or otherwise make mainstreaming happen. Anecdotally, there are excellent examples of mainstreaming, but no sense of whether those represent a trend or sufficient coverage. What is missing is evidence of a clear, operational institutional commitment. And that is worrisome. Performance has been **partially satisfactory** on lending and mainstreaming.[44]

Safeguards and Environmental Assessments

61. The Bank's performance on the environmental safeguard policies remains contentious. Implementation has been mixed. OED and ESSD reviews of the EA process have found that the policies and objectives are generally sound, although there is room for improvement, refinement, and updating (World Bank 1993a, OED 1996, World Bank 1997c). These reviews have consistently found that the EAs are often not completed soon enough in the project cycle to have much impact on project design. As a result, the EA process focuses much more on mitigation than on improving project design. Criteria for application of EA standards have not been consistently applied across regions and countries. Delays in making the EAs available to the public have

44. The Advisory Panel concludes that "the Bank's performance overall in mainstreaming of the country level has been unsatisfactory."

contributed to external criticism. Heavy reliance on external consultants has undercut EA effectiveness and not contributed to building local capacity.

62. Compliance shortfalls highlighted in highly visible projects have cast doubt on the integrity of quality assurance processes. The Inspection Panel report on the Western China project and subsequent exchanges highlighted many issues of concern (World Bank 2000c). Guidelines for application of policies have not been internalized by many task managers and staff, partly because the provisions are not always clear. This is complicated by the diffusion of responsibility and accountability associated with matrix management. Line staff are put in a difficult position trying to apply policies where they have dual responsibilities for monitoring compliance with the safeguards and for promoting the environment.[45] Key findings of this report with respect to the Bank's safeguard policies include the following:

63. *Clarifying the Policies*. Recent Inspection Panel reports have highlighted a significant problem with the implementation of EA structure in the Bank due to perceived ambiguities in the scope, intent, and requirements of the policies among staff responsible for their implementation. According to the Inspection Panel interviews, lack of clarity and sharp differences of interpretation are prevalent even among senior management (World Bank 2000e). Recent studies sponsored by OED (IUCN 2000, Boisson de Chazournes 2000) confirm the need to clarify certain aspects of the EA policies (for example, the term "significant" is not defined in OP 4.01, but it forms the distinction between A and B projects). Surveys of task managers confirm that lack of clarity and authoritative guidance play a role in the problems encountered with the application of EA policies. While the policies themselves may be appropriate and adequate, the language both of the policies and standards by which they are to be applied need clarification and reliable interpretation to ensure consistent implementation.

64. *Effects on Project Design and Supervision; and Ensuring Sustainability of Results.* Most of the EA work is front-loaded, focusing on completing the EA and on project design modifications or mitigation activity to satisfy the recommendations of the EA. Attention to the process falls off thereafter. Supervision of environmental aspects of category A and particularly B projects has been weak, and monitoring of action plan implementation spotty. This aggravates the systematic weakness in compliance monitoring and reporting. As a result, it is nearly impossible to verify the effectiveness of mitigation measures. Perhaps most important, the Bank's involvement in the EA process formally ends when the project is completed (that is, when disbursements are completed). There is no regular program for monitoring the implementation and sustainability of the environmental measures during the subsequent life of the project.

65. *Harmonizing Borrower/Bank Standards.* Borrowers are establishing their own environmental assessment regulations and implementation procedures, often with Bank assistance and encouragement. Many of these structures are still relatively new and they are not strong, but they have grown out of domestic processes and represent important first steps in environmental policy development. The national EA requirements are often different from those of the Bank. Concerns have been raised by borrowers that lack of efforts to harmonize Bank and national policy application standards in the country leads to unnecessary friction and harms the overall cause of the environment.[46] There is insufficient guidance on how staff can implement the Bank's standards flexibly enough to harmonize with local rules, and to strengthen local processes – and

45. For example, staff who depend on task managers for work assignments under the current work program system may also be required to monitor compliance with EA policies in projects of the same task manager, creating a conflict of interest.

46. From interviews during country visits undertaken in preparation of this report.

to do so without undermining the basic safeguard policy objectives. This is an important question that should be considered in the Bank's revisions of its EA policies.[47]

66. *Application to Adjustment and Programmatic Lending.* Adjustment lending was excluded from the EA process when the policy was initially formulated. Several NGOs and internal studies (Reed 1992 and 1996; Munasinghe and Cruz 1995) have highlighted important impacts that adjustment lending can have on the environment and recommended methods for incorporating attention to environmental issues in adjustment operations. Since March 1999, sector adjustment loans are included among the projects subject to the EA process. ESSD is currently examining to what extent and how safeguard policies should be applied to adjustment lending and to other programmatic operations. It is important that satisfactory guidelines be developed for all Bank lending.

67. *Internal Structure and Incentives.* Since the creation of the Office of the Environmental Advisor, application of environmental mitigation measures has been viewed by a number of borrowers and task managers as an added cost and burden that impeded rapid project execution. While such EAs necessarily have a policing element, the culture and structure of the Bank have resulted in an unnecessarily adversarial relationship that has contributed to making the environment an enclave activity. The Bank's model for managing EAs has changed over time, but is has yet to find a fully satisfactory form.

68. Following the 1987 reorganization, the central Environment Department had authority to review environmental aspects of all projects, one of only three mandatory reviews external to the region (the other two were legal and procurement). For a variety of reasons, authority for the EA process migrated to the regions, while the central Environmental Department retained substantial independent resources to assist in and review decisions in the EA process. This model was further modified following the creation of networks and the shift to country-based task budgeting that began in the 1996 reorganization. Both the central and regional environmental units saw their own-managed budget resources reduced and became more dependent on country directors and task managers for most of their funding and staff assignments. As a result, fewer resources were available for cross-cutting and cross-border issues and work became more fragmented as staff sought the security of specific assignments to support their "billable hours." This also placed regional environmental staff in a conflict of interest situation of both policing the safeguards and trying to build constructive relations with colleagues in other sectors. Regional management was held responsible for delivering the lending program, but shared accountability for the implementation of safeguards with the networks. In turn, they held major sway over Network Anchors through the budget and influence in the sector board. The quality of the EA process deteriorated.

69. External criticism by NGOs and some donors of the Bank for shortcomings on these policies combined with lack of clear managerial accountability, created a risk-averse mentality among both managers and staff. Some projects have been refused because of potential environmental risks, and most senior management attention to environmental issues has been directed to the high-profile, high-risk projects. Partly as a result of the issues raised in the recent Inspection Panel investigation of a proposed Western China Poverty Alleviation project, substantial additional resources (estimated to be about $6 million) have been allocated to strengthening the application of environmental safeguards and restoring more responsibility to the

47. A background survey on incentives found that task team leaders considered the mismatch between the Bank's *OP 4.01 – Environmental Assessment* policy and the borrower's corresponding policies, regulations, and legislation as being the greatest constraint to implementing *OP 4.01*.

ESSD Vice Presidency. Finding a functional model for balancing the roles of the center and the regions regarding the EA processes should be a high priority.

70. While strengthening the safeguard processes is critical to the credibility of the Bank, care must be taken not to reinforce perverse incentives. Safeguard policies are increasingly seen to have primacy among the Bank's environmental objectives, rather than their proper role as a backup assurance to high-quality environmental mainstreaming in project design. These safeguard activities, while essential to display the Bank's commitment to develop "with a human face," should not distract attention from the priority to be given to mainstreaming the environment in strategy work and all lending activities.

71. Overall, the performance in the area of safeguards has been only **partially satisfactory**. Fundamental reform of implementation and accountability processes is critical. Management is aware of these shortcomings and is strengthening its approach to safeguards. OED has expressed some reservations about recently proposed changes. Two issues, in particular, remain to be addressed. First, under the emerging safeguards compliance framework of decentralized responsibility with central oversight, the members of regional safeguards compliance team will still depend on cross-support from project task managers for a substantial portion of their own work program, and thus face a potential conflict of interest. Second, since management monitors elapsed time between the project concept document (PCD) and the project approval date as a key performance indicator, there is a built in incentive to delay the formal issuance of a PCD. On the other hand, since the PCD often represents the first time that a project can be reviewed by, those not involved in the project, including the staff responsible for quality assurance on safeguards, safeguards issues may be identified too late in the project processing cycle to allow adequate consideration of more environmentally friendly alternatives to the project.

Global Concerns

72. The Bank, based on its own analyses and on the recommendations of others, has promoted initiatives related to climate change at the country level and as part of the global agenda. Its focus on global concerns has been appropriate.[48] However, the emphasis on the global aspects of climate change, protecting forests and biodiversity, desertification, and the like has seemed to reflect the concerns of developed countries and to understate the importance of these environmental concerns to local interests and welfare. The issues have become divisive in international forums such as negotiation of conventions and meetings of the UN's Commission on Sustainable Development. Opportunities for cooperation have been missed. *Fuel for Thought*, the Bank's strategy for improving the environmental performance of the energy sector was caught in a similar debate between global and local approaches and came out a weaker document as a result.

73. The Bank has prepared GEF projects to address biodiversity, ozone depletion, and international water issues. These have sometimes been isolated, enclave operations responding to the global mandate of GEF and not integrated into coherent national strategies.[49] In other cases, they have contributed to larger environmental objectives and helped the Bank's efforts to mainstream.[50] The Bank is beginning to recognize that while global issues require global

48. See World Bank 2000g for a complete discussion of the efforts made and challenges encountered in this area.

49. The Lake Victoria project in Africa, a successful GEF project, did lead to some associated IDA lending after the GEF project demonstrated definitively the value of those activities.

50. See World Bank 1998b for more detail on GEF's performance, which was not a topic of this evaluation.

cooperation, there are also very important local reasons to be concerned about them. It has made modest efforts to promote renewable energy, and much larger efforts to improve energy conservation in Eastern Europe and the states of the former Soviet Union (FSU), although the environmental benefits were primarily a result of improving economic efficiency rather than a primary focus of the operations.[51] It has promoted the Prototype Carbon Fund, global forest initiatives, and assisted in work on the desertification convention. It has been a major supporter and executing agency for the GEF.

74. The Bank's emphasis on global issues should not detract from addressing regional, transboundary environmental issues, which are very important for member countries. Many environmental issues are concerned with watersheds or eco-systems which span national borders. Cooperation among countries is needed, and the Bank has the potential to facilitate and support more such cooperation than has been the case so far. The Bank has encouraged members to take these issues into account, but it has not undertaken projects to address multi-country environmental issues. The GEF has taken some initiatives for regional issues, and the Bank should learn from these experiences. The strong country orientation of the Bank's structure has impeded such activities.[52] Regions should find ways to do more regional environmental work.

75. Considering resource constraints, the Bank's efforts to address global issues in its own research and analysis have been **satisfactory.** It has also begun working with international agencies and NGOs on global issues. This approach has proven partially effective in promoting attention to the global issues in its country dialogues, but has not made much progress in gaining borrower support to deal with the global issues as normally presented. The Bank's efforts have not yet been satisfactory in the areas of mitigating local impacts of climate change, nor in addressing regional, transboundary issues. But it is beginning to expand it work in the former.

Internal Structure, Incentives, and Accountability

76. Understanding the Bank's own organization and incentive structure is a prime factor in evaluating its performance in the areas discussed above. The initial push to expand environmental activities was given a highly sectoral flavor by the Bank's sector- and country-based structure and the weakness of the network councils. There were few incentives to build cross-cutting themes into holistic approaches at either a strategic or operational level. The joint emphasis on safeguards and environment projects and the continued priority to move projects have reinforced the compartmentalization of the environment and perpetuated the adversarial relationship between environmental interests and those who wanted to speed up project preparation and simplify procedures. So long as mainstreaming the environment was not clearly stated and pursued as a core institutional objective and staff were not recognized for their accomplishments in this area, there were few material incentives to move in that direction.

77. The expansion of the environmental units, however, brought into the Bank a number of highly motivated and innovative staff committed to the environment, and they received encouragement within the Bank's environmental community and from some managers. When the

51. Reviews of Bank projects since 1997 in the power, energy, and oil and gas sectors has revealed that few explicitly analyze or estimate potential greenhouse gas emissions.

52. Its strong country-oriented structure and the difficulty of making loans to more than one country account for part of this reluctance. There have been exceptions using grant funds, such as the riverblindness program in West Africa, and several GEF-funded projects (e.g., Aral Sea, Lake Victoria, Maghreb Shipwaste Disposal, Caribbean Shipwaste Disposal) that suggest innovative means could be found.

Environment Department had substantial independent resources for environmental activities, there was a rapid expansion of research, analysis, and lending. The subsequent efforts to decentralize responsibility and budgets to the regions and country units eroded the capacity of the Environment Department to integrate thematic environmental concerns more broadly into sector programs or to monitor implementation of policies. Increased necessity to compete for resources further reduced the environment to a low-priority sector. These changes diminishd the Bank's capacity both to mainstream the environment into country programs and to implement its safeguard policies effectively. It is too often viewed as a luxury that can wait rather than a central part of the development objectives. [53]

78. With increasingly constrained budgets, task managers in other sectors often viewed environmental inputs as an added cost and chose not to include environmental staff unless absolutely necessary. This made mainstreaming harder and led to underfunding of some safeguarding activities.[54] Environmental staff have exercised a great deal of ingenuity to raise funds from other sources to support their activities. Although external funding sources have been valuable in the short term, they have their costs. Considerable staff time is spent raising funds rather than working directly on tasks. Conditions on this funding may distort the direction of the activities to the priorities of the donors.[55] And the reliance on external funding has tended to further reinforce the separation of the environment from mainline Bank activities and access to normal Bank funds, creating more division rather than incorporation.[56]

79. The Bank as an institution and in the statements of its last four presidents has made strong commitments to supporting the environment. This has been reflected in the creation and allocation of resources to the Environment Department, expanded environmental activities, a number of major external partnerships, and strengthening the safeguard processes. However, these actions have not been accompanied by incentives or direct action by management to ensure that mainstreaming takes place. Senior management reviews of CASs did not focus on environment issues unless there was a reputational risk issue. Responsibility for other environmental aspects, was delegated to the Environment Department, which was outside the operation line responsible for country strategies, projects, and other activities and for which it had insufficient independent resources. The initial instructions for the PRSPs did not mention the environment. No system has been established to define objectives for mainstreaming or to monitor results. Without guidelines and assignment of responsibility, no one is held accountable for mainstreaming.

80. The series of reorganizations implemented over the past 13 years have had as a goal improving cooperation across sectors and moving toward a more holistic approach. Unfortunately, the successive reorganizations have tended to reinforce the Bank's tendencies

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53. Unfortunately, a number of high-level initiatives and partnerships, while important in themselves, have tended to reinforce the sectoral separation of the environment from other activities. Many of these initiatives have created small, separately funded units to carry out specific mandates, such as the Prototype Carbon Fund, or they carry separate grant funding, such as the Montreal Protocol. Both approaches fragment rather than integrate environmental issues.

54. There were increments to the budget overall in 1997 for safeguards activities, but after allocation to the regions, they were not earmarked and went into general resources. It has not been possible to determine how they were spent.

55. This is not a criticism of donor priorities, but having to respond to differing external priorities makes putting together a coherent program within a country context more difficult.

56. This is also true of GEF funding. Some Bank staff interviewed stated that they were really working for GEF and doing GEF projects as the only way to maintain their positions and get an environmental foot in the door of many country programs.

toward sector fragmentation. With some exceptions, the other networks are not moving to mainstream the environment in their strategies or programs.

81. The allocation of responsibility and accountability regarding the environment is a major factor in this. Senior managers have not been held accountable for incorporating environmental concerns into the activities of their units, either in the regions or in the networks. This problem has been recognized and a new task force formed to try to clarify the accountabilities in the matrix. The results on the ground have yet to emerge. In the case of safeguards, regional responsibility for approval of EAs was not accompanied by adequate accountability. The regional vice presidents were not accountable for the EA process. That was located in the regional environmental units, which were faced with conflicting objectives of enforcing the policies and contributing to regional lending targets. ESSD and senior management are putting in place a new system that is intended to produce clearer accountability and much better results. It should be monitored closely.

82. Given the many other pressures on staff and managers and the ambivalence of many governments regarding the role of the environment in development, it is understandable that the environment has gotten a low priority. The current system does not provide the appropriate accountability structure to meet the Bank's commitments to incorporate environmental sustainability into its core objectives and to mainstream the environment into its operations. It is not that the individuals who operate within the system do not work hard to try to meet the objectives on which they are judged.[57] Rather, the time has come to examine how the Bank should align its goals and priorities with clear incentives, lines of accountability, and authority to achieve results. Management has a responsibility to define its priorities and objectives in a manner that can be implemented with available resources, even in the face of pressure to overload its mandate. In the case of the environment, which is commonly seen as central to poverty alleviation and growth, this means better integration into a coherent strategy and better monitoring.

83. The Bank's organizational and incentive structure has supported the expansion of Bank direct lending for the environment to about 6 percent of the overall portfolio. (If environmental components are included, the share may be about 10 percent.) Environmental lending made up nearly 3 percent of new commitments in fiscal 1999. The recent budget cuts will test whether this level can be maintained. However, the Bank's structure and incentives reinforce the treatment of the environment as a sector. The Bank's accountability structure has not been able to encourage the mainstreaming of the environment in a satisfactory manner or convince managers and staff to make it a cross-cutting theme. Unless and until that happens and the environment becomes part of the Bank's core objectives and a normal part of doing quality analysis, projects, and strategies; the tension between the Bank and its stakeholders that has characterized the past decade will continue and probably intensify.

5. Recommendations

84. By and large, the findings of this evaluation are not new and are similar to those of other donors who have also evaluated their environmental programs (see Annex A). Many are based on

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57. And many environmental staff and some managers follow their own commitments to the environment despite the lack of reward and incentive in the system.

internal and external studies done over the past decade. The need to make environment a strategic priority was recognized by the Bank with the creation of the Environment Department and reaffirmed at the Rio conference and in the 1992 WDR. Various presidential statements and individual initiatives reflect an awareness of the importance of the environment. NEAPs were to be integrated into country strategies, EAs were supposed to be broadened to sectoral and regional bases, the GEF was supposed to complement Bank programs, not become a substitute. Why didn't this happen? The preponderance of evidence suggests the following: (1) The Bank did not mount a concerted effort to integrate doing positive environmental good as a critical priority in its core objectives. The cross-sectoral and thematic aspects of the environment received little emphasis, and most disconcertingly, the fundamental link between environmental sustainability and poverty alleviation was not pursued. (2) The Bank's safeguard policies to prevent or mitigate against environmental harm from its projects, while sound in conception, were not accompanied by clear standards and consistently effective implementation. This has resulted in increased reputational risks and diversion of attention to damage control. (3) The Bank's efforts in dealing with global issues have been hampered by their early formulation as goals external to member countries and by the strong country orientation of the Bank.

85. In all of these areas, the structure of incentives, priorities, and direct processes of accountability from senior management down the line have not been supportive of strategic inclusion of the environment, of adequate monitoring and evaluation, nor of positive recognition of activities and staff in this area. While it may be argued that Bank management reflects the ambivalence of its collective membership on this issue, that ignores the leadership role attributed to and accepted by the Bank for the promotion of equitable and sustainable development. Unless the Bank expresses its priority for the environment and demonstrates how to implement this priority in its programs, it is hard to expect its borrowers to take the lead. Simply recommending more or better NEAPs, allocating more staff or resources to the environment, or doing better EAs will have no more impact than in the past. The recent emphasis on being responsive to clients makes exercising the Bank's leadership and role modeling functions even more critical.

86. The findings highlighted a number of specific strengths and weaknesses of the Bank's performance on the environment. Many of these can and are being addressed. The critical issues that must be addressed by the Environment Strategy and the Bank's senior management stem from the three major shortcoming identified above. The agenda presented below is a medium term set of corporate objectives. It calls for judicious sequencing and gradual implementation in line with the resources actually allocated to enhance the implementation of this corporate priority. The forthcoming sector strategy paper provides a unique opportunity to secure a realistic and workable consensus among the membership about the future role of the Bank on the environment.

87. ***Recommendation 1*****: In pursuit of holistic, long term development and the International Development Goals, the Bank should build on its comparative advantage and analytical capacity to demonstrate the critical role of the environment in sustainable development and poverty reduction. It should incorporate environmental objectives into its core strategy and its operations. In particular, the Bank should:**

- Reform the structure of its management, staff and budget incentives to give added emphasis to achieving environmental objectives.

- Integrate environmental sustainability into country and sector strategies.[58]

- Make the environment a central feature of policy dialogue with core ministries, with particular attention to the links between the environment, poverty reduction and sustainable livelihoods.

- Ensure that environment is adequately covered in due diligence ESW (such as the proposed development policy reviews). When the CAS indicates a need for more in-depth analysis of environmental issues, environmental ESW should be carried out in a participatory manner taking full account of the work carried out by partners (e.g., national strategies for sustainable development proposed by DFID).

- Mainstream environmental concerns into its research and operations. Adequate guidance, standards, and monitoring should be put in place so that staff have the tools and incentives to implement the environmental strategy.

- Strengthen monitoring and evaluation of progress on the environment in CASs and SSPs. To this end, it should expand the use of environmental indicators in country analysis, particularly indicators of environmental degradation in terms of GDP.

- Enhance its efforts at capacity building in member countries, strengthening institutions, policies, and regulatory enforcement.

88. ***Recommendation 2:*** **The Bank should review its environmental safeguard oversight system and processes to strengthen accountability for compliance. In parallel, the policy framework should be modernized and adapted to the changing practices and instruments being used by the Bank and take account of recent experience**. **In particular the Bank should:**

- Ensure that the safeguard policies and standards for their implementation are clear and fully understood by managers and staff.

- Define policies and practices for treating environmental issues in adjustment and programmatic lending not currently covered by the EA policy.

- Provide adequate and independent funding for oversight of safeguard processes and shield compliance review processes and staff from conflicts of interest.

- Allocate accountability and responsibility for implementation of the safeguard policies to the relevant line managers and empower the central environment unit to intervene where compliance problems are identified.[59]

- Establish a transparent adjudication process to resolve differences and avoid muddying responsibility and accountability.

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58. This is not to propose a one-size-fits-all approach but appropriate inclusion among other key priorities with explicit, country-specific priorities worked out within the overall framework.

59. The Advisory Panel recommends "that definitive clearance authority on every project with environmental implementations should be centralized to ensure clarity and consistency in the application of safeguard policies."

- Help build borrowing countries' capacities to formulate and implement EA policies, and manage environmental resources and risks.

89. ***Recommendation 3:*** **The Bank should help implement the global environmental agenda by concentrating on global issues which involve local and national benefits. In particular, the Bank should:**

- Identify environmental actions that achieve national and local benefits while addressing critical issues of global concern.

- Assist countries to prepare for the impacts of global environmental degradation such as global warming, and support transitions to renewable energy sources and end use efficiency.

- Give adequate attention to regional (transboundary) environmental issues in its analytic and program work, including cross-boundary cooperation.

- Enhance its role as a global leader in the environment through its public statements, being a role model through its own actions, and promoting understanding of the poverty-environment-development nexus.

- Use its convening power and partnership programs to increase attention to environmental issues of common concern, promote coordination among donors, and empower all stakeholders to achieve common objectives.

Annex A. Donor Evaluations

Four Donors have recently evaluated their environmental aid programs: Norway, 1995; Denmark, 1996; Finland, 1999; and UK, 1999 (Denmark, Ministry of Foreign Affairs 1996a. Finland, Ministry for Foreign Affairs 1999a, 1999b, 1999c, 1999d, 1999e, 1999f, FNI and ECON 1995, Flint et al. 1999). These were major studies of one to several volumes. They have come to surprisingly similar conclusions that are consistent with those of this review. Although their programs are generally smaller than the Bank's overall, these evaluations are important because many Bank countries have expressed a preference for bilateral (grant) support for environmental projects.

While the emphasis and terms of expression differ across reports, the themes expressed here are common to all studies. They all note that environment has been made a high priority in their aid programs and express confidence in the formulation and emphasis of their policy statements. They also express some satisfaction that their programs have had positive impacts and that progress has been made. Beyond that, the picture is not good.

A significant gap between the rhetoric and reality is a major theme in all reports, and the more recent indicate a falling-off in performance in the late 1990s as effective priorities seem to have shifted away from the environment.

The reports find that translation of environmental goals into action is weak for a number of reasons:

- Country-level strategies are non-existent or inadequate (usually both from the donor and country points of view, though the availability of NEAPs was welcomed).
- There is a lack of clear targets and guidelines for staff to follow.
- Not enough skilled staff are available, and those that are on board are stretched too thin and do not have the necessary authority.
- There is not enough integration or mainstreaming of environmental issues into other projects.
- There is a paucity of monitorable environmental indicators.
- Application of EAs is deficient and where applied, they are often too late in the project cycle to do more than risk mitigation.

The reports also focused on the lack of adequate monitoring and evaluation of environmental projects and of the inclusion of environmental concerns in other projects. Internal feedback systems were deemed inadequate. Management reviews rarely addressed environmental issues, so there was no effective accountability for achieving the environmental principles and goals that had been articulated.

The recommendations suggested improvements in the areas noted above. Particular attention was given to getting better strategies, to improving implementation across the board, to getting better indicators and to improving monitoring.

Although the Bank has rightly been under pressure from its donors to improve its performance, it is interesting to note that the shortfalls identified for the Bank also occur in many of the donors' own programs. This suggests that promoting environmental sustainability is difficult and not internalized in any of these institutions to the extent that it ought to be. There may be good reason for a cooperative effort to improve performance. Coordinated efforts on developing strategies, environmental indicators, and monitoring and evaluation procedures would be a good place to begin. This should be supplemented by effective in-country coordination of environmental programs and their evaluation rather than independent implementation of each donor's program.

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