Précis

OED

WORLD BANK OPERATIONS EVALUATION DEPARTMENT WINTER 2002 NUMBER 216

Promoting Environmentally Sustainable Development

In its first review of the World Bank's environmental policies and activities since the Bank's Environment Department was created in 1987, the Operations Evaluation Department (OED) finds that Bank performance has substantially improved. The Bank has mitigated the negative effects of many of its development interventions, helped governments build environmental institutions and programs, and produced solid policy analysis and economic and sector work—but it has not yet integrated environmental concerns fully into its core objectives or its country assistance and sector strategies.

The Bank has played a leading role in addressing global issues and has improved awareness of the links between the environment and development, but the complex links between environmentally sustainable development and poverty alleviation should be made even more explicit.

Until recently, the momentum achieved in the early 1990s had slowed in the face of operational constraints. Dedicated staff and borrowers committed to improving the environment have achieved some notable successes, but many countries are reluctant to borrow for environmental projects or to implement Bank environmental policies; Bank management, concerned with an ever-growing development agenda, has not been consistent in its commitment to the environment; and managers have not been held strictly accountable for complying with the Bank's environmental policies. The Bank must provide better guidance, standards, tools, incentives, and monitoring if staff are to mainstream environmental components in all Bank work, as proposed by the environmental strategy recently approved by the Bank's executive directors.

The Bank's Approach to the Environment

In response to worldwide concerns about whether economic development was compatible with protection of the environment, the international donor community began assigning higher priority to environmental concerns in the late 1980s. Stakeholders urged the Bank to accelerate its efforts to support more environmentally sustainable development through increased lending, more attention to the environment in country programs and policy dialogue, and more support for global and regional environmental initiatives.

Since 1987, the Bank has vastly expanded the level and scope of its environmental activities, according to OED's review, which was timed to inform preparation of a new Bank strategy for the environment. The Bank created an Environment Department, greatly increased environmental staff (who now number 250), instituted environmental safeguard policies, and launched a program of environmental lending. The Bank's participation in the U.N. Conference on Environment and Development in Rio de Janeiro and the *World Development Report* on the environment (both in 1992) demonstrated the Bank's engagement with environmental issues and helped launch a range of environmental activities. The Bank has helped many governments create environmental ministries and introduce regulations requiring environmental assessments. It has undertaken about 140 environmental projects and has subjected roughly 1,200 projects to an environmental assessment or review.

OED assessed the Bank's performance record in four broad areas of environmental activity:

- *Stewardship:* helping member countries develop strategic priorities, build institutions, and implement programs to support environmentally sustainable development.
- *Mainstreaming:* integrating environmental considerations into Bank operations and helping member countries build on the positive links between poverty reduction, economic efficiency, and environmental protection.
- *Safeguards:* ensuring that potential adverse environmental impacts from development projects are addressed.
- *Global challenges:* building awareness about and partnerships to address pressing transnational and global environmental issues.

Stewardship, Strategy, and Policy Dialogue

After Rio, at the urging of International Development Association (IDA) deputies, the Bank pressed for the completion of national environmental action plans (NEAPs) in borrower countries. By the end of 2000, 92 NEAPs (of mixed quality) had been completed. Within the Bank, however, only half of the country assistance strategies reviewed (from a 1992–99 sample) had adequately addressed environmental issues as cutting across all sectors.

Substantial progress has been made where committed Bank staff and line managers have been proactive in making the case for the environment and where borrower countries recognize its importance. Countries as diverse as China, Costa Rica, Mozambique, and Poland have demonstrated how much can be done in gaining government commitment to and improving the design and application of a country's environmental policies. Satisfying results have been obtained in both low- and middle-income countries. The priority the Bank gives 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.

Environmental Lending and Mainstreaming

The amount of direct environmental lending rose from $564 million in 1993 (7 projects) to $1,072 million in 1996 (15 projects), dropping to $514 million in 2000 (13 projects). Some of the Bank's environmental projects and programs have served as models of successful direct lending and of mainstreaming the environment into other operations—for example, the Loess Plateau Watershed Rehabilitation and Sustainable Coastal Resources Development projects in China, the Uttar Pradesh Sodic Lands Reclamation project in India, an industrial pollution project in Bulgaria, the Arid Lands Resource Management project in Kenya, district heating projects in Poland, and air pollution projects in Mexico. Results are still uncertain for significant efforts made in other countries to implement major and vitally needed reforms in the treatment of the environment.

One objective of mainstreaming is to integrate environmental concerns into the design and implementation of all projects. This will be more difficult to put into practice and to monitor than direct environmental lending, but could have much more dramatic effects. In the past, the Bank's sectoral orientation has made it difficult for environmental staff to participate in projects in other sectors and to encourage sensitivity to environmental issues. The new strategy for the environment includes initiatives to address such disincentives.

Box 1: Integrating across Sectors

Shareholders see the environment—and the Bank's strategic formulations describe it—as a theme cutting across, affecting, and being affected by many sectors. But operationally and in the Bank's formal structure it is treated as a sector rather than being integrated into the development strategy, although some best practices—as in Vietnam and Panama—take a broader approach. Treating the environment as a sector rather than as a crosscutting priority pits environmental units against other sector units competing for funds and space in country lending programs. This competitive structure makes it difficult for environmental units to form constructive partnerships and mainstream the environment into projects.

An important objective of mainstreaming is to include environmental concerns in the design and implementation of projects across the board—for example, in choices involving transport strategies, energy sources, and forestry development. OED's desk review of 30 infrastructure projects, for example, found 6 energy projects within the sample to have positive environmental externalities—an increased supply of environmentally superior energy sources and/or improved energy efficiency. A highway project in Brazil helped establish environmental units within the state roads departments. In Cyprus, a coastal sewerage and drainage project led to increases in water charges to help promote more rational use of water and supported innovative engineering to permit the re-use of treated wastewater for the irrigation of "green" areas, increasing the volume of clean water available to the community.

Safeguards and Environmental Assessments

The Bank has addressed the potentially adverse environmental impacts of projects it supports through implementation of environmental assessments (EAs) and related safeguard policies. OED reviews have found the Bank's environmental safeguard policies to be generally satisfactory, but implementation of environmental assessments has been mixed. Often the assessments are not completed (and safeguard issues are not identified) early enough in the project cycle to have much impact on project design. In a recent assessment of supervision quality, the Quality Assurance Group found that, for projects with significant safeguard aspects, the mitigation actions and arrangements were inadequate in 20 percent of cases. Some borrowers and task managers see environmental mitigation measures as an added cost and burden that retards project execution. Environmental assessments must contain a policing element, but the Bank's culture and structure have produced an unnecessarily adversarial relationship between compliance with safeguards and the promotion of environmental sustainability.

Global Challenges

Bank efforts to address global issues in research and analysis have been satisfactory. It has also begun developing effective partnerships. More could have been done to mitigate the local impacts of climate change or to address regional and transboundary issues. The Bank's attention to global issues—such as biodiversity, desertification, forest protection, ozone depletion, and climate change—is appropriate but tends to understate the importance of environmental concerns to local interests and welfare. Recent Bank research has shown, for example, that an approach to reducing particulate air pollution that produces great 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. Bank country activities should focus more on the local impacts of global degradation of the environment and the local benefits of implementing a global environmental agenda.

Global environmental issues by their nature involve public goods, which market forces normally do not provide adequately. Nationally, public intervention to provide public goods is a government responsibility; internationally, addressing public goods issues requires collective action, the leadership of international bodies, and effective partnerships among public institutions, the private sector, and groups from civil society. The Bank has increased its efforts to form partnerships with key stakeholders, private sector interests, and local NGOs. The pent-up demand for a Bank role in multicountry partnerships remains strong.

Falling Short of High Expectations

By and large, OED's findings are similar to those for other donors' environmental programs. The Bank recognized the environment's strategic importance with creation of the Environment Department and reaffirmed it at the Rio conference, in the 1992 *World Development Report,* and in various presidential statements and individual initiatives. National environmental action plans were supposed to be integrated into country strategies, environmental assessments were supposed to lead to sectoral and Regional assessments, and global concerns were supposed to be integrated into country programs, not just added on. Why didn't this happen? The preponderance of evidence suggests the following:

- Country assistance strategies have tended to treat the environment as just another sector competing for attention, rather than as a crosscutting theme, and have not made explicit (and built upon) the link between environmentally sustainable development and poverty reduction.
- The Bank's safeguard policies (to prevent or mitigate environmental harm from its projects) were sound in concept but unaccompanied by clear standards and inconsistently implemented. This has diverted attention to damage control.
- The Bank's efforts in dealing with global issues have been hampered by conflicts between their early formulation as goals external to member countries and the Bank's strong country orientation.
- The structure of priorities, incentives, and accountability processes—from senior management on down the line—has not supported a strategic emphasis on the environment, rigorous monitoring, or positive recognition of environmental staff and activities.

Box 2: Best Practice: Sustainable Development of China's Coastal Resources

Mainstreaming the environment—integrating environmental concerns into operations and analysis—is increasingly viewed as moving beyond safeguarding the environment (through compliance with *do-no-harm* safeguard policies) to *doing good* for the environment to improve development outcomes. The Sustainable Coastal Resources Development project in China—a best practice—shows how this can be done.

Initially production-oriented, the China project switched midstream to a focus on sustainability. Originally the three project components were to construct and rehabilitate shrimp ponds, expand eel production, and provide new aquaculture facilities. After the environmental impact of these components had been analyzed, the project objective became the sustainable development of coastal resources. Now the project aims to improve the environment by designing and implementing coastal zone management plans, siting and selecting production components that stay within local carrying capacity, conserving endemic species through protected area management, developing hatcheries to take pressure off natural stocks, and providing facilities for environmental monitoring.

These shortcomings will be addressed by the new environmental strategy recently endorsed by the Board of Directors, restoring the environment to its role in the Bank's long-term development agenda.

Next Steps

The environment strategy paper provides an opportunity to achieve a realistic and workable consensus among Bank members about the Bank's future role in environmental efforts. Toward that end, OED offers these broad medium-term recommendations, among others. The Bank should:

- Build on its comparative advantage and analytical capacity to demonstrate the environment's critical role in sustainable development and poverty reduction.
- Review its environmental safeguard oversight system and processes, to strengthen accountability for compliance.
- Continue to update its policy framework, adapting it to changing practices and new Bank instruments and to take account of recent experience.
- Help implement the global environmental agenda by concentrating on global issues that involve local and national benefits.

Box 4: CODE Response

The Committee on Development Effectiveness (CODE) welcomed the review and supported the OED recommendations. The members commended OED and management for their well-coordinated process in moving toward the new environment strategy for the Bank, submitted for discussion in concert with the OED review, and were pleased that management had found the review useful in guiding development of the strategy. The Committee raised issues on linkages between the environment and poverty reduction, tradeoffs between global and local issues, and balancing advocacy, minimum standards, and country ownership. It noted that balancing policy, setting minimum standards, and managing reputational risks at the country level was a key challenge. Members stressed the importance of country ownership and institutional capacity building, with a long-run focus on integrating safeguards into country systems. Is also discussed safeguards and institutional incentives, and how to mainstream environmental objectives into the Bank's work, including adjustment lending policy and harmonization across Bank instruments.

Box 3: Environment Strategy Paper

For defining a course of action for the longer term and setting specific measures to adjust Bank actions, tools, and institutional incentives for the next five years, the environment strategy paper (*Making Sustainable Commitments—An Environment Strategy*) has taken into account the findings of the OED review. Country-level environmental analyses will be used to inform policy dialogue, particularly in connection with the preparation of country assistance strategies (CASs) and Poverty Reduction Strategy Papers (PRSPs). Key sustainability and environmental indicators will become part of the country indicator set included in the CASs. The environmental aspects of CASs and PRSPs and the mainstreaming of environment into key sectors will be subject to regular monitoring and evaluation. An integrated safeguard system will be implemented, with improved consistency and oversight of safeguard application, to be validated by independent audit. A program to build client capacity to deal with safeguards will be implemented over the next five years, and the Bank will work with clients and other development institutions to review and harmonize safeguards. The Bank can also build on synergies by addressing local, Regional, and global environmental issues through the inclusion of global concerns in PRSPs, integration of GEF resources with Bank operations, and initiation of a comprehensive treatment of climate change.

OED

Director-General, Operations Evaluation: *Robert Picciotto*
Director, Operations Evaluation Department: *Gregory Ingram*
Manager, Sector and Thematic Evaluation: *Alain Barbu*
Task Manager: *Andres Liebenthal*

This *Précis* is based on *Promoting Environmental Sustainability in Development: An Evaluation of the World Bank's Performance,* by Andres Liebenthal, Lead Evaluation Officer, Sector and Thematic Evaluation, OED.

Précis are available to Bank Executive Directors and staff from the Internal Documents Unit and from regional information service centers, and to the public from the World Bank InfoShop. *Précis* are also available at no charge by contacting the OED Help Desk: eline@worldbank.org or calling 1-202/458-4497.

Précis

Manager, Partnerships and Knowledge: *Osvaldo Feinstein* • Editor-in-Chief: *Elizabeth Campbell-Pagé* • Series Editor: *Caroline McEuen* • Dissemination: *Juicy Qureishi-Huq*

Précis aussi disponible en français
Précis en español tambien disponible @ http://www.worldbank.org/html/oed

 ISSN 1564-6297