

Assessing the Effectiveness of World Bank Group Assistance for the Environment

Approach Paper

July 5, 2006

Background

1. The environment has become central to the international development agenda over the past three decades, including that of the World Bank Group (hereafter “the Bank Group” or WBG).¹ This began with the first United Nations Conference on the environment held in Stockholm in 1972, after which countries throughout the world began to give increasing attention to environmental concerns. Around the same time, the World Bank (hereafter “the Bank”) appointed its first environmental specialists. Until the mid-1980s, Bank activities were largely limited to assessing the potential environmental effects of selected lending operations. At that time, however, due in part to growing pressures from non-governmental organizations (NGOs) in response to the adverse impacts of several major Bank-supported infrastructure projects,² the Bank Group’s approach to the environment began to shift. As part of its 1987 reorganization, the Bank established a central Environment Department and Environment Divisions in each of its four (later six)³ operational Regions. It also set mandatory procedures for screening, assessing and managing all new investment operations for their environmental (and social) effects, as did the International Finance Corporation (IFC) and (once established in 1989) the Multilateral Investment Guarantee Agency (MIGA). In the early 1990s, many developing countries – particularly those eligible for financing from the International Development Association (IDA) -- elaborated National Environmental Action Plans (NEAPs), and the Bank (including IDA) began to step up lending for environmental improvement, often to support implementation of these plans.

2. In 1992, the United Nations held another major international Conference on Environment and Development (also known as the “Earth Summit”) in Rio de Janeiro, for which the Bank’s most significant contribution was its World Development Report (WDR) of that year which was dedicated to the same topic.⁴ The Earth Summit with its associated Agenda 21 and global conventions on biodiversity and climate change squarely placed improved environmental management and quality in the forefront of development priorities. Ten years later, the UN sponsored another landmark meeting, the World Summit on Sustainable Development (WSSD), in Johannesburg, at which the Bank launched a second environment-related WDR, *Sustainable Development in a Dynamic World*.⁵ The WSSD firmly established the environment as an essential element in sustainable development. The Bank Group’s first explicit strategy for the environment, entitled *Making Sustainable Commitments*, presented to the Board in July 2001, was oriented very much along the same lines.⁶ Environmental strategies for each of the Bank’s operational Regions were also prepared or updated at that time.⁷

3. Within the context of the Bank Group’s overarching mission to combat poverty, and recognizing the critical importance of improved environmental management for

sustainable development,⁸ the goal of the 2001 strategy was “to promote environmental improvements as a fundamental element of development and poverty reduction strategies and actions.” This would be achieved by helping client countries “set and address their environmental priorities and challenges, including those of a regional or global nature; and by supporting sustainability through [WBG] operations.”⁹ The strategy highlighted three interrelated objectives in relation to this general goal:

- Improving the quality of life, focusing on areas where environment, quality of life and poverty reduction are strongly interlinked (i.e., enhancing livelihoods, preventing and reducing environmental health risks, and reducing vulnerability to natural hazards).
- Improving the quality of growth¹⁰ by supporting policy, regulatory and institutional frameworks for sustainable environmental management, and sustainable private sector development.
- Protecting the quality of the regional and global commons with an increased emphasis on local aspects of global environmental challenges.¹¹

4. In addition to other significant inputs,¹² *Making Sustainable Commitments* reflected the principal findings and lessons of a parallel OED evaluation of Bank environmental performance.¹³ This study assessed the World Bank’s experience in four broad areas of environmental activity – stewardship, mainstreaming, safeguards and global challenges,¹⁴ concluding that Bank performance had been “partially successful”¹⁵ in most of them. Recognizing that the Bank’s past achievements had “fallen short of our own high expectations and those of others,”¹⁶ the 2001 strategy incorporated OED’s main recommendations that the Bank should: (1) build on its comparative advantage and analytical capacity to demonstrate the environment’s critical role in sustainable development and poverty reduction; (2) review its environmental safeguard oversight system and processes, to strengthen accountability for compliance; (3) continue to update its policy framework, adapting it to changing practices and new Bank instruments and to take account of recent experience; and (4) help implement the global environmental agenda by concentrating on global issues that involve local and national benefits.¹⁷

Objectives and Scope

5. The Bank Group has now been significantly involved in environment-related activities since the mid-1980s (MIGA since 1989). The areas and OED recommendations mentioned above remain central to the World Bank’s work in support of improved environmental management and sustainability in its client countries. Recognizing the critical role of the countries themselves in this regard, determining how effective the Bank Group and its development (in the case of IFC and MIGA, private sector) partners have been in helping their clients improve environmental quality since the early 1990s – and how they can be more so in the future -- is the subject of this evaluation.

6. Acknowledging that “environment is not a sector or an add-on” and that “environmental considerations have to be reflected from the early stages of decision making processes,” *Making Sustainable Commitments* affirmed that the Bank would seek to attain its objectives through the following “toolkit”: (1) strengthening analytical and advisory activities, including country-level environmental analysis (CEAs) and strategic environmental assessments (SEAs); (2) addressing environmental priorities through project and program design, more specifically, improving the design and performance of environmental projects and components, coordinating investments and policy reforms, applying a location-specific approach, supporting capacity development, enhancing the environmental outcome of adjustment (now “development policy”) lending; and (3) improving the safeguard system, focusing on the quality and consistency of the application of Bank Group safeguard policies by addressing short-term priorities and reforming the safeguard system.¹⁸

7. The proposed evaluation will examine the results of the Bank Group’s assistance for the environment over the past decade and a half, focusing on key client countries (see para. 12 below). Both the Bank’s role, to the extent it can be determined, in changes in key indicators of environmental quality at the national (e.g. deforestation rates) and subnational (e.g., ambient air quality and/or water quality) levels and the more direct environmental effects of WBG-supported policy changes, institutional support and lending operations will be assessed, as will the alignment between Bank Group and country environmental priorities and strategies. The influence of the thematic focus of the 2001 WBG environment strategy (e.g., on poverty-environment linkages, etc.) on Bank country strategies and associated AAA and investment operations will be assessed, as will the various ways in which the “toolkit” mentioned above have been utilized over the past five years.

8. Recognizing, as do both the 2001 environment strategy and the earlier OED evaluation,¹⁹ that the Bank Group is just one actor -- with the countries themselves being the most important ones -- in helping its clients address environmental problems and priorities, the proposed evaluation will also give attention to the role of Bank partnerships with other donors, international assistance agencies and non-governmental organizations (especially environmental NGOs). This would fill a gap in the previous OED evaluation, which did not specifically assess the role of partnerships in helping to advance the Bank’s environmental agenda at the country and global levels.

9. Finally, based on experience to date, the study will attempt to assess the Bank’s (and, where applicable, IFC’s and MIGA’s) ability to deliver new products, instruments and strategies (e.g., the scaling up of infrastructure, the increased use of DPLs, sectorwide approaches and guarantees, and the greater reliance on country systems which they are likely to require). Lessons of the study should point to how the WBG and the donor community more generally, together with their public sector, private sector and civil society partners, can be more effective in assisting client countries improve environmental management and sustainability. They should also shed light on the limitations of development assistance in the absence of strong country capacity and, most importantly, commitment (e.g., political will) to achieve environmental objectives.

Main Evaluation Questions

10. On the basis of a preliminary review of key documents and discussions with Bank Group managers and staff, other assistance providers and selected country stakeholders on the effectiveness of donor support in relation to the environment, the evaluation will focus on the following questions: how (i.e., with what instruments) and how effectively (i.e., with what results) have the Bank Group and its partners assisted client country governments and private sector counterparts in setting and addressing their environmental priorities and challenges since the early 1990s? More specifically:

- How and how effectively has this assistance contributed to improving the quality of life (i.e., enhancing livelihoods, preventing and reducing environmental health risks, and reducing vulnerability to natural hazards), improving the “quality of growth,” including sustainable private sector development, and protecting the quality of the regional and global commons?
- How well have Regional and Country Assistance Strategies and Poverty Reduction Strategy Papers been aligned with Regional and country environmental priorities and to what extent have environmental considerations been adequately incorporated – or “mainstreamed” – into these instruments, analytical work and lending operations?
- Have the design and performance of environment projects and components and the environmental aspects of other lending instruments improved and, if so, in what ways and with what results, especially in terms of environmental quality?
- To what extent – and how – has the Bank Group utilized partnerships with other development assistance providers to enhance the effectiveness of its support to country clients with respect to environmental management and sustainability?
- What factors, both internal and external, have limited the effectiveness of Bank Group and other donor assistance on the environment and how might these constraints be better addressed in the future?

Evaluation Instruments

11. **Literature Review.** Focusing primarily on the case study countries, the evaluation will examine pertinent “sector” (environment and non-environment) and Country Assistance Strategies (CASs),²⁰ Poverty Reduction Strategy Papers (PRSPs)²¹ and other relevant documents²². At the sectoral level, particular attention will be given to recent World Bank strategies for infrastructure (energy, transport, water supply and sanitation), agriculture and rural development, social development and urban development, as well as for forestry and water resource management. Periodic reports by

ENV and the Regions on implementation of the 2001 environment strategy will also be reviewed.²³ Relevant studies and publications by other donors, NGOs, academics and other sources regarding the Bank Group's environmental performance and the effectiveness of development assistance more generally with regard to environmental management and sustainability, including non-Bank Group assessments of environmental management experience in OECD, as well as selected developing countries, will likewise be surveyed.²⁴

12. **Country Case Studies.** The evaluation will be largely based on country case studies,²⁵ which will assess the full range of WBG support involving the environment and its effectiveness over the past decade and a half. They will include the most significant Bank Group clients in terms of their global environmental importance – China, India and Brazil²⁶ -- which are also countries where the WBG has had significant involvement in relation to the environment. Given their global and regional significance, the Russian Federation and Egypt have been selected as the case study countries in ECA and MNA, respectively. Finally, considering the Bank's priority attention to the Africa Region, the present evaluation will focus on four countries (Ghana, Madagascar, Senegal and Uganda). Together these nine countries represent a broad range in terms of demographic and territorial size, income levels, recent economic growth rates, political systems and environmental challenges and are drawn from all six Bank operational regions. IEG-WB, IEG-IFC, and IEG-MIGA will each evaluate their environment-related interventions in the most relevant sectors in each of the case study countries.

13. The case studies will involve both a desk review of relevant Bank Group and non-Bank²⁷ materials and field visits, including to selected projects,²⁸ for consultations with government officials, other donors and key national and local stakeholders in order to obtain client perceptions of the relevance and effectiveness of Bank Group assistance. Previous IEG Country Assistance Evaluations (CAEs) will also be reviewed for their findings in relation to Bank performance on the environment both at the strategic and the operational levels. A generic Country Case Study outline is presented in the Annex.

14. To determine their influence on country client policies and programs and on associated World Bank environmental operations, the evaluation will survey relevant ESW, research and other advisory and capacity building support carried out at both the corporate (especially ENV, DEC and WBI) and regional levels.²⁹ The use and impact of new analytical instruments, such as CEAs, which were specifically highlighted in the 2001 strategy, will also be assessed. IEG-IFC's and IEG-MIGA's review of their respective operations will give particular attention to the application of environmental safeguard policies in key infrastructure and productive sectors in the case study countries.

15. Given its country focus, the proposed evaluation will not contain in-depth thematic assessments that cut across all WBG client countries. However, the present exercise will draw on relevant findings and lessons of recent and parallel OED/IEG evaluations on energy and environment,³⁰ forestry,³¹ water resource management,³² extractive industries,³³ global programs,³⁴ natural disasters,³⁵ renewable energy,³⁶ climate change and other relevant topics, as well as on the application of the Bank Group's

environmental safeguard polices.³⁷ The extractive industries review was carried out jointly by IEG-WB, IEG-IFC and IEG-MIGA, and the present evaluation will also draw on other relevant evaluations carried out by IEG-IFC and IEG-MIGA, as well as by the GEF Evaluation Office.³⁸

16. **Structured Interviews.** The evaluation will use structured interviews with selected Bank Group managers and staff, including both those directly responsible for implementing Bank environment-related activities and those who have other important functions (Country and Sector Directors, Lead Economists, task team leaders in various sectors, etc.). Representatives of significant partner organizations, including other donors (both regional development banks and major bilaterals), international development agencies, private sector sponsors and environmental NGOs will also be interviewed, as will officials and key staff of other development/environment agencies and programs, such as UNDP and UNEP. These interviews will seek to obtain both external views on Bank Group environmental performance and information relating to the approaches and effectiveness of other donors, NGOs, and important contributors to development assistance for environmental management and sustainability. These interviews will be carried out independently by IEG-WB, IEG-IFC and IEG-MIGA staff and consultants.

17. **Coordination with Bank Environment Strategy Update.** The Bank Group's environment strategy, which was designed to be implemented during the FY02-06 period, is scheduled to be revised and updated (for FY07-09) during the current calendar year. This will be coordinated by the Environment Department and involve the regional environmental units in consultation with IFC and MIGA. The present evaluation will provide inputs for the revised strategy and, thus, feed into the process in a way similar to that of the previous independent OED evaluation of Bank performance in conjunction with the 2001 WBG environment strategy.

Dissemination

18. The findings and lessons of this study are expected to be of interest to a broad audience, including Bank Group managers and staff, other multilateral and bilateral donors that are also actively providing support to developing countries in the areas of environmental management and sustainability, and environmental NGOs and other Bank partners. They should be of particular interest to government officials and civil society representatives in the case study countries. The country case studies and final report, accordingly, will be issued as formal IEG publications. The evaluation results will also be disseminated electronically through several sources including a dedicated website and one or more dissemination workshops to be held following its completion.

1. For a comprehensive history of the World Bank's involvement with the environment through the mid-1990s, see Wade, Robert, *Greening the Bank: The Struggle over the Environment, 1900-1995* in Kapur, Devesh., Lewis, John & Webb. Richard. *The World Bank: Its First Half Century*, Brookings Institution, Washington D.C., 1997.

2. One of the large projects which achieved particular notoriety in this regard was the Northwest Regional Development Program (Polonoeste) in the Amazon Region of Brazil. In addition to Wade, *op. cit.*, see

Redwood, John III, *World Bank Approaches to the Environment in Brazil: A Review of Selected Projects*, Operations Evaluation Department (OED), World Bank, Washington D.C, October 1993.

3. At first there was a single Environment Division (ASTEN) for the East Asia and South Asia Regions as well as for the old Europe, North Africa and Middle East (EMENA) Region (EMTEN), that was subsequently divided into two. A Vice Presidency for Environmentally (later Environmentally and Socially) Sustainable Development (ESSD) was created in 1992, but was merged with that for Infrastructure to form a new Sustainable Development Vice Presidency in July 2006.

4. World Bank, *Development and the Environment*, Oxford University Press, New York, 1992.

5. World Bank, *Sustainable Development in a Dynamic World: Transforming Institutions, Growth and Quality of Life*, Oxford University Press, New York, 2003.

6. It was subsequently published as *Making Sustainable Commitments: An Environment Strategy for the World Bank*, Washington, D.C, December 2001 (hereafter, *Making Sustainable Commitments*). While this strategy refers mainly to the actions of the Bank, as is noted in its Preface, “the four WBG institutions [including IDA, which, for purposes of this evaluation, is subsumed under “the Bank”] are aligned with the core mission of poverty reduction – and, therefore, the overall vision, strategic framework, and objectives of this Strategy...are shared by the entire WBG.” It also notes that “members of the WBG, however, are legally and financially independent and have different sets of owners and clients, structures and mandates, staffs and toolkits. Accordingly, specific operational and institutional implications differ and need to be spelled out separately.”

7. See, for example, *Building a Sustainable Future: The Africa Region Environment Strategy*, World Bank, July 2002, *Latin America and Caribbean Regional Environment Strategy*, June 2002 and more recently, *Environment Strategy for the World Bank in the East Asia and Pacific Region*, March 2005.

8. This was strongly reiterated in the WDR for 2003, *op. cit.*, and WSSD in August-September 2002. It should be noted, however, that “sustainable development” only formally became a part of MIGA’s mandate in May 2004.

9. *Making Sustainable Commitments*, *op. cit.*, pg. xx and pg. 45.

10. On the concept of “quality of growth,” see Thomas, Vinod, et. al., *The Quality of Growth*, World Bank, Oxford University Press, New York, 2000.

11. *Making Sustainable Commitments*, *op. cit.*, pp. xx-xxii and pp. 46-52.

12. Background papers for the Bank Group strategy concentrated on such subjects as poverty and environment, health and environment, natural resource management, urban air quality management, and mainstreaming environment in Country Assistance Strategies, as well as preparation of a “sourcebook” on poverty, environment and natural resource for Poverty Reduction Strategy Papers, and more than 30 consultations were held in different parts of the world. Another important input was *The World Bank and the Global Environment: A Progress Report*, Environment Department, Washington, D.C., May 2000.

13. Operations Evaluation Department (OED), *Promoting Environmental Sustainability in Development: An Evaluation of the World Bank’s Performance*, World Bank, Washington D.C., January 2002 (hereafter, *Promoting Environmental Sustainability*).

14. These were defined by OED as follows: (a) *Stewardship*: helping member countries develop strategic priorities, build institutions, and implement programs to support environmentally sustainable development; (b) *Mainstreaming*: integrating environmental considerations into Bank operations and helping member countries build on the positive links between poverty reduction, economic efficiency and environmental protection; (c) *Safeguards*: ensuring that potential environmental impacts from development projects are addressed; and, (d) *Global challenges*: building awareness about and partnerships to address pressing transnational and global issues. (See *Promoting Environmental Sustainability*, *op. cit.*, Chapters 3 and 4.)

15. This was also the basic conclusion of an even earlier OED evaluation on project environmental assessments and national action plans (see *Effectiveness of Environmental Assessments and National Environmental Action Plans: A Process Study*, Report No. 15835, June 28, 1996), as well as of several

Bank self-evaluations of these two and other environmental management instruments (see Environment Department, *The Impact of Environmental Assessment: A Review of World Bank Experience*, World Bank Technical Paper No. 393, September 1997; Kenneth M. Green and Alison Raphael, *Third Environmental Assessment Review (FY 96-00)*, Environment Department, World Bank, May 2000; Environment Department, *National Environmental Strategies: Learning from Experience*, March 1995, and Sergio Margulis and Tonje Vetleseter, *Environmental Capacity Building: A Review of the World Bank's Portfolio*, Environment Department Papers, No. 68, May 1999, among others).

16. *Making Sustainable Commitments*, op. cit., pg. xix.

17. *Promoting Environmental Sustainability*, Chapter 5.

18. *Making Sustainable Commitments*, op. cit., pp. xxii-xxv and pp. 52-62. Item (1) refers mainly to the World Bank, which works with country government clients at the policy level, while items (2) and (3) also refer to IFC and MIGA which work with the private sector through investments and guarantees on environmental aspects of projects and, like the World Bank, apply environmental (and social) safeguard policies to their operations.

19. *Making Sustainable Commitments* affirms that “bearing in mind that by itself, the Bank can never stem the tide of global environmental change” (pg. xix), “the Bank will work with interested partners to bring about the successful implementation of the Strategy” and “partnerships with other development institutions, civil society, and the private sector can contribute to our objectives and can effectively leverage scarce Bank resources” (pg. xxvi). One of OED’s specific recommendations in *Promoting Environmental Sustainability*, in turn, was that the Bank should “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.” (pg. 27)

20. See, for example, Kishore, Sunanda, *An Environmental Review of 2002-04 Country Assistance Strategies*, Environment Department Paper 105, World Bank, September 2005.

21. See Bojo, Jan, et. al., *Environment in Poverty Reduction Strategies and Poverty Reduction Support Credits*, Environment Department Paper 102, World Bank, November 2004.

22. In the case of the Latin American and Caribbean Region, for example, these would include comprehensive country policy notes prepared in advance of governmental transitions. Such documents have been elaborated for numerous countries and subsequently published by the Bank in book form with prior government authorization for Mexico (2001), Colombia (2003), Ecuador (2003) and Brazil.(2004)

23. See, for example, World Bank, *Putting Our Commitments to Work: Environment Strategy Implementation Progress Report*, Washington D.C., May 2003 and World Bank, *Focus on Sustainability*, Washington D.C., January 2005, among other documents.

24. For example some of the environmental performance reviews carried out by the OECD’s Environment Directorate, including for Bank clients such as Chile (2005), China (forthcoming), Mexico (1998, 2003), Poland (1995, 2003) the Russian Federation (1999) and Turkey (1999), as well as its stocktaking with respect to the entire first generation of such reviews (OECD, *Environmental Performance Reviews: Achievements in OECD Countries*, Paris, 2001) and such earlier surveys as Lovei, Magda and Weiss, Charles, Jr., *Environmental Management and Institutions in OECD Countries: Lessons from Experience* (World Bank Technical Paper No. 391, Washington D.D., May 1998).

25. The previous OED evaluation of Bank environmental performance also included background studies (for India, Madagascar, Mexico, Morocco, Nigeria and Poland), which will also be utilized, and in two cases (India and Madagascar) updated, in the present assessment.

26. China is already the second largest source of Carbon Dioxide emissions in the world, following the United States, while India is fourth, and both are growing very rapidly economically and in terms of their absolute and relative contributions to greenhouse gasses, while Brazil contains the largest tropical forest – and some of the richest biodiversity – on the planet, which continues to be subject to rapid deforestation.

27. This year's annual *State of the World* report put out by the World Watch Institute, for example, contains a special focus on China and India. Other recent non-Bank studies such as that by UNIDO entitled *Review of Selected Industrial Environmental Management Initiatives of the United Nations System and Regional Banks*, (draft 2006), will also be surveyed.

28. Performance audits for completed World Bank environmental projects will be carried out by IEG staff and/or specialized consultants in conjunction with – and as partial inputs for – the case studies for Brazil, China, India, Madagascar, Russia, Uganda and perhaps elsewhere.

29. See, for example, Acharya, Anjali, Dyoulgerov, Milen, Tsutsui, Eri, *Analytical and Advisory Activities in Environmental and Natural Resource Management: A Review of Fiscal 2002-04 Activities*, Environment Strategy Papers No. 10, World Bank, September 2005, which, however, does not include DEC research activities. This review will also include a series of papers undertaken by the Bank in advance of and in preparation for the World Summit on Sustainable Development in Johannesburg in August-September 2003. In addition to the 2003 WDR (op. cit.), these included *The World Bank and Agenda 21* and documents prepared jointly by DFID, the European Commission, UNDP and the World Bank entitled *Linking Poverty Reduction and Environmental Management: Policy Opportunities and Challenges* and the IMF, UNEP and World Bank entitled *Financing for Sustainable Development, all of which were issued in July 2002*.

30. *The World Bank Environmental Strategy for the Energy Sector: An OED Perspective*, Report No. 17359, February 11, 1998

31. Lele, Uma, et. al., *The World Bank Forestry Strategy: Striking the Right Balance*, Operations Evaluation Department, World Bank, Washington D.C., 2000 and Campbell, J. Gabriel and Martin, Alejandra, *Financing the Global Benefits of Forests: The Bank's GEF Portfolio and the 1991 Forest Strategy – A Review of the World Bank's Forest Strategy and its Implementation*, Operations Evaluation Department, World Bank, 2000, together with country case studies for Brazil, Cameroon, China, Costa Rica, India and Indonesia.

32. Pitman, George Keith, *Bridging Troubled Waters: Assessing the World Bank's Water Resources Strategy*, Operations Evaluation Department, World Bank, Washington D.C, 2002.

33. Liebenthal, Andres, Michelitsch, Roland and Tarazona, Ethel, *Extractive Industries and Sustainable Development: An Evaluation of World Bank Group Experience*, Operations Evaluation Department, IFC Operations Evaluation Group & MIGA Operations Evaluation Unit, Washington D.C., 2005.

34. Gerrard, Christopher, *Addressing the Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs*, Operations Evaluation Department, World Bank, December 2004.

35. Parker, Ronald, *Hazards of Disasters, Risks to Development: An Evaluation of World Bank Assistance for Natural Disasters*, Independent Evaluation Group, World Bank, 2006.

36. A desk review of Bank experience in this area is currently underway in IEG and will be completed shortly.

37. Studies on climate change, rural development, environmental and social safeguards are in the IEG work program for FY06-08 and thus will partially overlap and be coordinated with the present proposed evaluation.

38. See, for example, GEF Evaluation Office, *The Role of Local Benefits in Global Environmental Programs*, Evaluation Report No. 30, Washington D.C., 2006.